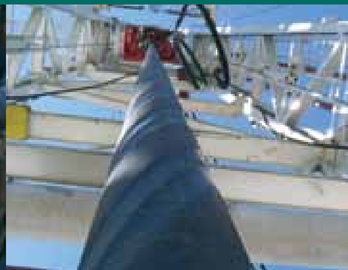
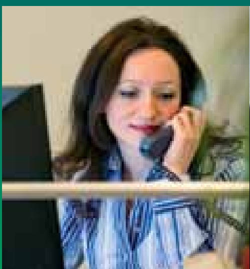
Aurelian Oil & Gas PLC

Interim Report
for the six months to 30 June 2011

AURELIAN





Unlocking value through technology

Highlights

Operational Highlights

- First two Multi-Fracced Horizontal Wells ("MFHW") drilled, completed and tested at the Siekierki Tight Gas Project in Poland. Early mechanical difficulties with the Trzek-2 well completion were overcome successfully on Trzek-3. Trzek-3 produced at a stabilised rate of 3.2 mmscf/day after 28 days of testing. This rate indicates that, like Trzek-2, Trzek-3 is also expected to recover between 4 bcf – 8 bcf. Detailed work is now underway to identify ways to improve future well performance and better inform full field development plan.
- Krzesinki exploration prospect targeting gross mid-case GIIP of 60 bcf spudded on 24th June 2011 and is now drilling the Rotliegendes reservoir with results expected in October.
- First urban 3D seismic survey shot in Poland completed on Block 206, near Poznan City over 120 km^2, to appraise the North West extension of the Siekierki Tight Gas field. Interpretation and prospect inventory expected Q1 2012.
- Niebieszczany-1 well, the first of a three well programme on the prospective oil block in Bieszczady, Southern Poland, was drilled to 4,219 metres encountering extensive oil and gas shows, including two intervals totalling 60 metres of formation that have already produced oil, gas and condensate in earlier drill stem tests. Well test results are expected from the Operator, PGNiG, in Q4 2011.
- 575 km of 2D seismic successfully acquired with two surveys covering the Thrust Fold Belt in Romania, one covering Block 208 in Poland and one adding further prospects in our Slovakian Fold Belt acreage.
- Significant strengthening of internal capabilities with the establishment of our Central European Operating Base in Krakow and the hiring of a new Exploration Director, John Smallwood and a senior geology and geophysics team. Enhancing our Central European business understanding with the appointment of a highly experienced, Polish Non-Executive Director, Piotr Rozwadowski.

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Financial Highlights

- Loss before tax stable at €2,463,000 (H1 2010: €2,549,000). Higher administrative costs in the period, due to increased investment in internal capability, offset by higher finance income and lower finance costs.
- The Company invested €23,936,000 (H1 2010: €3,469,000) into intangible and tangible fixed assets. The majority of this investment related to its Polish activities and in particular the Siekierki Tight Gas project.
- €5,300,000 of consideration plus €1,550,000 of working capital and completion adjustments received from the disposal of Romanian non-core interests.
- Net cash used in operating activities of €3,671,000 for the six months (H1 2010: €1,259,000) included one off costs of €537,000 relating to the Romanian discontinued operations, a €571,000 increase in working capital with the balance of €2,563,000 relating to administration and other expenses.
- Cash and cash equivalents as at 30 June 2011 amounted to €95,283,000. As at 22 September 2011 cash and cash equivalents amounted to circa €77,700,000. However a further €3,550,000 of VAT repayments are pending from local Customs authorities resulting in a proforma cash and cash equivalents balance as at 22 September 2011 of €81,250,000.

Outlook for the next 6 months

- Full evaluation of Siekierki test results and Krzesinki exploration well results, together with their implications for the full field development plan, to be provided before the year end. No further capital will be allocated to this project until the Company is clear on the optimum way forward. The Trzek-2 side track well decision has also been deferred. The plans will include further details on the commercialisation options for the gas discovered to date with combined Siekierki gas flow rates across Trzek-1, 2 and 3 of circa 6-8 mmscf/day.
- Krzesinki exploration well results, expected in October 2011.
- Horodnic-1 appraisal well in Romania to spud early October 2011 targeting gross 52 bcf mid-case GIIP and seeking to establish the commerciality of the Voitinel field in Carpathian Fore-deep. Results expected end 2011.
- Niebieszczany-1 well test results informing the commerciality of the gas discovered earlier in the year on the highly prospective Bieszczady Block expected from PGNiG Q4 2011.
- Cierne-1, the first operated Carpathian Thrust Fold Belt exploration well, will commence in Slovakia in Q1 2012 targeting gross 100 bcf mid-case GIIP and seeking to de-risk a potential further gross 400 bcf of resources on Block in the success case.
- Revised Prospect Inventory and exploration program, incorporating approximately 1500 km of new 2D and 340 km^2 of new 3D seismic data shot in 2010 and 2011, leading to an updated Company CPR in early 2012.
- Updated strategy in light of the revised Siekierki appraisal plan and a new exploration prospect inventory to be available by the end 2011.
- Sosna-1, the first well in the reef oil play on our Cybinka/Torzym concessions, is planned for end Q1 2012. The prospect is targeting gross 35 million bbls mid-case STOIIP, with a total gross resource potential of approximately 100 million bbls on Block.

Chief Executive Officer's statement and review

Unlocking Value through Technology

In the first half of the year Aurelian has continued to execute its strategy of unlocking value through the application of proven technology in two Core Areas in Central Europe. The primary focus of our activities has been the appraisal of the extensive Siekierki unconventional gas field in Poland. This has proved particularly challenging in two ways. Firstly, managing the technology transfer from the US/North Sea to Central Europe has been far more difficult than initially envisaged. We did not get this right first time with regards to the down hole completion design and frac operations on the Trzek-2 MFHW. Secondly, our fast track appraisal strategy of preparing for facilities construction with the expectation of achieving high early production rates during the appraisal phase of the reservoir, has not been supported by the drilling results to date. The well tests show that the Siekierki reservoir, whilst retaining significant potential, is more complicated than we originally thought. There are very few unconventional plays in the world that have been "unlocked" with the initial wells drilled and this is proving to be the case with Siekierki.

We have overcome the Trzek-2 operational and project execution problems by successfully running a different completion type in Trzek-3, Halliburton's Cemented Liner and "Plug and Perf Completion", and consequently significantly improved drilling and completion performance. However following stabilised flow testing results from this programme at Trzek-3 indicate a recovery range of between 4 bcf – 8 bcf for this well. We must now take the time to evaluate all the valuable reservoir data we have obtained, together with recent offset well data, the upcoming Pressure Build Up test and current drilling programme, and think through the best way to appraise the field and commercialise the gas that we have already shown is there; a mid-case of 1.6 TCF GIIP for the Siekierki Reservoir. We will take the next three months to evaluate all of this data and provide a complete update of the options and our plans to the market at the end of this year. Combined with this we are also planning to revise our prospect inventory and have a new CPR produced early 2012. We will also take the time to update our strategy in the light of the revised Siekierki appraisal plan.

Elsewhere across Aurelian's portfolio, we have continued to successfully deliver our strategy of transferring technology applications to unlock value. In particular we have developed a highly prospective reef oil play in our Cybinka and Torzym concessions and have also conducted the first urban seismic survey in the City of Poznan to map out the lateral extension of the Siekierki field; both opportunities are based on modern 3D Seismic technologies. In the Carpathians we have interpreted the 776 km of 2D seismic acquired in 2010 to deepen the prospect inventory in Southern Poland, Slovakia and Romania. This brings the Company's share of seismic investment since July 2009 to over €11 million. This investment has yielded an organic portfolio of exploration opportunities and a high impact exploration drilling programme targeting some significant and exciting prospects over the next two years which we are funded to drill.

Over the last six months we also have continued to invest in our internal capability by adding specialists in Krakow, Warsaw, Poznan and London. We retain our regional first mover position and believe that despite the challenges we have faced recently, we have the right people with the right experience, expertise and technical skills to deliver project success across the Aurelian portfolio.

Our Assets

Core Area one – Southern Permian Basin; Rotliegendes and Zechstein plays in Central and Western Poland

The Trzek-3 completion, frac and associated flow test was performed during August and September 2011. The operational performance was a significant improvement on Trzek-2 with six fracs executed successfully using Halliburton’s “Plug and Perf” system along 1,000 metres of horizontal well bore. The decision to change the completion to a cemented liner has been vindicated with the whole operation being undertaken on time and within budget.

The well performance however has proved more challenging. The central thesis of the Siekierki appraisal plan was that two horizontal multi-fracced wells (Trzek-2 and Trzek-3), set 60+ metres above the free water level in circa 100 metres of tight Rotliegendes reservoir, would yield large initial volumes of dry gas with low decline rates. The outcome has been that Trzek-3 has produced modest volumes of gas; a stabilised rate of 3.2 mmscf/day after 28 days (versus the 8 mmscf/day we expected), higher than expected water volumes and it also experienced some deposition of minerals in the well bore. Trzek-2 produced 3 mmscf/day and, like Trzek-3, higher than expected water rates, but this was ascribed to mechanical problems. It is clear that the geologic paradigm on which the Siekierki appraisal plan was based has now become a more complex geological/ petrophysical challenge which we are working hard to understand.

Our analysis to date of the potential reasons for the poor performance has identified a number of possibilities, of which three are currently receiving significant attention.

Firstly, the reservoir may be tighter (lower permeability) than expected. Secondly, the flow in the immediate area of the well-bore may be impeded (e.g. reservoir “skin”, which can be caused by phenomena such as water, gel, proppant or salt affecting the flow of gas from the reservoir into the well bore). Thirdly, formation water may affect the flow rate. Typically in Rotliegendes gas wells, some formation water is produced along with the gas, and this may artificially restrict the gas flow rate.

The pressure build up data being acquired over the next couple of months should help us to understand the first two possibilities above, with water production being able to be managed by standard engineering techniques. Our technical team is analysing these issues and this will enhance our understanding of the reservoir and greatly assist us in determining the forward plan. We shall provide a further update regarding this by the end of the year.

The implications for the Siekierki Project are four fold;

1. We need to interpret the well results and review and establish the technical reasons why flow rates are lower than expected.
2. The range of possible outcomes for the project is now much wider than previously anticipated. The current field development plan based on 20 MFHWs (each recovering 20bcf and costing €14-18m each), combined with a high-methane, high-pressure gas sales route may not be the best way forward. The Siekierki Project team will therefore focus on developing a number of alternative well and completion designs, field appraisal/ development plans and gas commercialisation options in order to determine the optimum way forward.
3. There is likely to be a three to six month delay in the final investment decision for the pilot facilities and a slower pace to the appraisal of the field to allow for more technical work.
4. The timing for a strategic partner with strong technical and financial resources to be brought into the project is likely to be brought forward.

Chief Executive Officer's statement and review
Continued

In summary, Siekierki remains a significant gas field with mid case 1.6 TCF GIIP. Aurelian's drilling results in Trzek-1, 2, and 3 combined with the PGNiG/FX Energy recent announcement of gas shows being encountered throughout the Rotliengend sandstone reservoir in the offset Plawce-2 well confirms the presence of significant volumes of gas which fracture stimulation can recover. What these results also confirm is that the overall structure is bigger and more complex than previously thought and that a broader, regional perspective needs to be taken before moving forward with further appraisal or development plans. We now need to evaluate what is the best way technically to take the appraisal plan forward for this project.

The Krzesinki exploration well, which was spudded on 24th June 2011, is testing a prospect in the Greater Siekierki Area, targeting gross mid-case GIIP of 60 bcf of conventional gas. The well has now been drilled to top reservoir with results expected in October 2011. This well will also provide further important information on the South Western extension of the Siekierki Tight Gas reservoir. The Company has also shot the first urban 3D seismic survey in Poland on Block 206 Poznan North, near Poznan City, to appraise the North West extension of Siekierki and map out the lateral extension of the field. On Block 208 we also acquired 200 km of 2D seismic to further understand and evaluate the eastern extension of the reservoir.

Outside Siekierki in the Permian Basin, we have developed a highly prospective reef oil play based on our Cybinka and Torzym concessions and are currently securing a surface location to drill a gross 35 million bbls mid-case STOIIP prospect, with a total gross resource potential of approximately 100 million bbls on Block. Both concessions may also contain analogues to one of the largest oilfields in Central Poland, the Lubiatow complex which is currently being developed with reserves quoted of 54 million barrels of oil and 194 bcf of gas.

We are planning to drill the Sosna-1 prospect in the first quarter of next year.

Core Area two – Carpathian Thrust Fold Belt; Southern Poland, Slovakia and Central Romania

We have made good progress in executing our strategy of drilling new plays based on modern 2D seismic in the Carpathian Thrust Fold Belt. The Niebieszczany-1 well, the first of a three well programme on the prospective oil block in Bieszczady, Southern Poland, was drilled to 4,219 metres, encountering significant oil and gas shows over several intervals. The operator, PGNiG, ended the drilling due to high reservoir pressure some 100 metres short of the primary target intervals between 4,300 metres – 4,800 metres. Whilst not reaching the primary target was initially disappointing, the two intervals encountered totalling 60 metres of formation that have already produced oil, gas and condensate in earlier drill stem tests will now be put on flow test for up to 14 days each. A follow-up well is also planned for mid 2012 and will be designed for high pressures to enable the partners to reach the original Niebieszczany-1 primary target areas which could contain up to gross 100 million barrels of oil. This well will also enable the further appraisal of the 60 metre test zones, if the pending tests indicate commerciality. The 2012 well location will be based upon the current well results together with the reinterpretation and integration of the 2009 – 2011 seismic surveys that now cover 40% of the Block.

In Romania we have identified the Horodnic-1 appraisal well on the Brodina block, targeting gross 52 bcf mid-case GIIP and seeking to establish the commerciality of the Voitinel field in the Carpathian Fore-deep. In Slovakia we have identified Cierne-1, targeting gross 100 bcf mid-case GIIP and seeking to de-risk a potential further gross 400 bcf of resources on Block in the success case. We plan to drill a well there in early 2012. Cierne-1 is a material opportunity with significant follow up potential. On East Karpaty, the Mszana Dolna and Jordanow prospects have also been further advanced and now require some infill seismic to define a drillable prospect for the rig to move to after Cierne-1.

In the first half of the year we also conducted three seismic surveys in the Carpathians totalling 372 km, two in Romania and one in Slovakia, generating further conventional oil and gas prospects and leads and to help identify new drill targets.

In February 2011, the sale of our non-core Romanian assets was completed. This allowed the Company to harvest capital from mature producing assets and focus it on the material upside in our exploration of the Carpathian Thrust Fold belt.

In summary, there is considerable activity coming up across Aurelian's conventional exploration portfolio in the next few months and we are drilling several wells with significant potential. We have a funded exploration programme and John Smallwood and his team are evaluating this portfolio and prospect inventory with a view to determining which wells should be advanced because they are more prospective and which should be pushed back to allow de-risking activities. We are also preparing an updated prospect inventory and will look to have an updated CPR produced in early 2012.

People

Over the past six months we have significantly strengthened our internal capability on both technical and operational fronts. Dr John Smallwood joined as the Exploration Director in May 2011. Previously he worked for Hess Corporation for 15 years, most recently as Exploration Manager in Australia during which time his team made 17 discoveries. He has also had success with Hess in the North Atlantic Margin, Africa and Asia. We have also added experienced subsurface specialists in London and Poland with Paul Chamberlain, Wojtek Mausch and Katarzyna Dusak joining John's team bringing a technical depth and experience to Aurelian's Exploration function. We have also established a Central European Operating Base in Krakow. The Krakow base is critical and enables us to respond in real time to both operated and non-operated issues. Eric Beaumont has joined us as Drilling Manager to deliver the Carpathians campaign and we now have the capability to execute our high impact drilling campaign ahead.

We were also delighted to welcome Piotr Rozwadowski to the Board as an independent Non-executive Director. He not only further enhances our Polish operating strength, but also brings extensive expertise of the Polish energy sector and will be an invaluable addition to the Board as we look to execute our growth strategy in Poland.

Relationships

We have continued to build relationships with our key strategic partners. In Poland we continue to collaborate and work closely with PGNiG and FX Energy on tight gas through the MOUs we signed earlier in the year. These will also be particularly important in the coming months as we further evaluate the Siekierki project utilising the knowledge that PGNiG and FX Energy have gained in their adjacent Block. In the Carpathians we continue to work with Romgaz in the Foredeep and Fold-Belt in Romania.

I would also particularly like to acknowledge the work that Halliburton has carried out on the MFHWs on Siekierki where we worked together closely to overcome a number of mechanical and project delivery issues. We look forward to continuing to work with them as we further evaluate the Siekierki Tight gas project in the coming months.

Finally, I would like to note the good work of OPPPW, the Polish Operators' Association in advancing the interests of those active in Poland, particularly with regard to environmental and public relations issues.

Chief Executive Officer's statement and review
Continued

Sustainability
We have continued to focus on our Zero Harm policy operating at all times in a safe and responsible manner in line with industry best practice. Strong governance, good community relations, sound business ethics and equal opportunities are at the forefront of everything that we do at Aurelian and we have also recently updated and implemented Sustainability and Bribery Act policies. We look forward to continuing to work with communities where we operate in Romania and Poland and continuously look to improve the ways in which we directly and indirectly contribute to the economy and those communities.

Economic Review
The economic fundamentals remain compelling; in Central European there remains a high reliance on imports resulting in strong local demand for indigenously produced hydrocarbons. Fiscal terms remain some of the most attractive in the world and gas prices in Poland remain robust. With these fundamentals, the market has seen significant new entrants creating intense competition for new licences and concessions, as well as the services required to carry out the necessary drilling and exploration programmes. Aurelian with its first mover advantage and technical and regional expertise is an ideal partner for any new entrants into this market.

Financial Results
As a result of the February 2011 disposal of Aurelian's Romanian non-core production and exploration concessions, no information regarding the Revenues and Gross profits from these concessions is disclosed on the face of the Income Statement. As was the case with the audited 31 December 2010 Financial Statements, the full financial impact of these non core concessions is shown as a single line item on the face of the Income Statement, described as 'Loss from discontinued activities'.
During the period the Company generated a Loss from continuing operations of €2,463,000 (H1 2010: €2,549,000) and operational cash outflow of €3,671,000 (H1 2010: €1,259,000). The Loss from continuing operations was broadly unchanged due to an increase of €1,139,000 in total administrative costs, mainly as a result of further investment in the Company's internal capability, being offset by a €310,000 increase in finance income and a €923,000 decrease in finance expense. The increase in finance income is as a result of average higher cash balances in the period and the lower finance expense is due to the absence of exchange translation losses and the repayment of the portion of the Gemini Loan related to the disposed, non-core, Bilca gas field. The €1,287,000 Loss from discontinued activities relates to legal costs of €537,000, the recycling to the Income Statement of exchange differences previously recognised directly in equity of €577,000 and an impairment of €173,000 of assets held for sale.

In the six months to 30 June 2011, the Company invested €23,936,000 (H1 2010: €3,469,000) into intangible and tangible fixed assets, the majority of which related to its Polish activities and in particular the Siekierki Tight Gas project. In addition, €5,300,000 of consideration plus €1,550,000 of working capital and completion adjustments was received from the disposal of Romanian non-core interests.

Net cash used in operating activities of €3,671,000 (H1 2010: €1,259,000) included one off costs of €537,000 relating to the Romanian discontinued operations, a €571,000 increase in working capital with the balance of €2,563,000 relating to administration and other expenses. The difference of €2,412,000 in net cash used in operating activities of €3,671,000 compared to €1,259,000 for the six months to 30 June 2010 can be explained by i) the absence in the period to 30 June 2011 of net €672,000 of cash revenues from the discontinued Romanian business which were to Aurelian's account for the first six months of 2010, ii), the existence of a €537,000 one off cost relating to professional fees to assist with the February 2011 disposal of the Romanian discontinued operations iii) an increase in cash administrative costs of €1,037,000 in the period 30 June 2011 in comparison to the six months to 30 June 2010 and iv) a period on period reduction in working capital of €166,000.

Cash and cash equivalents as at 30 June 2011 equated to €95,283,000. As at 22 September 2011 cash and cash equivalents equated to circa €77,700,000. However a further €3,550,000 of VAT repayments are pending from local Customs authorities resulting in a proforma cash and cash equivalents balance as at 22 September 2011 of €81,250,000.

Outlook

Earlier in the year I wrote in the Annual Report that 2011 was going to be an exciting year, and that technology and capability would remain at the forefront of our strategy. I said we would apply the best and most fit for purpose technology and thinking to unlock the potential of our portfolio, and continue to build capability so that when we did encounter problems we would have the talent, experience, funding and intellectual capital to overcome them. This continues to be the case and our strategy.

Trzek-3 was a setback and a reminder that in the E&P industry, with geology, you can never ultimately be certain of what you have until you drill it. In the short term we will seek to fully evaluate the Siekierki gas field in order to ascertain the optimum way forward. Capital for the Siekierki Tight Gas project will be preserved for the time being and the Trzek-2 side track will be deferred. During the next three months we will carry out a pressure build up test, look at the broader regional field development options by working through our Tight Gas MOUs with PGNiG and FX Energy and may also bring on board a strong, technical, strategic partner to improve our technical thinking and reduce our capital exposure to the full field development.

The additional information from the 3D survey on Block 206, the 2D survey on Block 208 and the Krzesinki well will provide further data on the scale and inherent value potential of the field. We expect to provide a full update of the options for the Siekierki Tight gas project to market at the end of the year.

Outside Siekierki, we have a conventional high impact exploration growth programme. At the time of writing we have more than sufficient funds to drill up to 13 wells over the next two years all delivered from the significant investment we have made in modern 3D and 2D seismic over the past two years. In particular, we look forward to; creating a new Thrust Fold Belt business and a scalable regional gas business in Romania, proving up the exciting reef oil play in Western Poland and drilling our first operated high impact exploration wells in the Carpathians (Slovakia and Karpaty East).

We will also continue to actively optimise our portfolio and to forge further strategic alliances and growth options leveraging our distinct competencies and special relationships.

We have the team, the values and resilience to make Siekierki work and to deliver exploration success in our two Core Areas. We are looking forward to a solid second half of the year with further, albeit slower, progress on Siekierki whilst continuing to unlock the value through technology of our high impact exploration portfolio.

Rowen Bainbridge
Chief Executive Officer

Consolidated income statement

	Unaudited 6 month period to 30 June 2011 €'000	Unaudited 6 month period to 30 June 2010 €'000	Audited Year to 31 December 2010 €'000
Other administrative expenses	**(2,592)**	(1,526)	(3,763)
Transaction related professional costs	**–**	–	(14)
Exchange loss	**(69)**	(103)	(399)
Share based payment costs	**(145)**	(105)	(170)
Pre-licence exploration costs and exploration costs impaired	**(113)**	(46)	(4,620)
Total administrative expenses	**(2,919)**	(1,780)	(8,966)
Other operating income	**1**	9	14
Operating loss	**(2,918)**	(1,771)	(8,952)
Finance income	**467**	157	1,055
Finance expense	**(12)**	(935)	(1,782)
Loss before tax	**(2,463)**	(2,549)	(9,679)
Taxation	**–**	–	–
Loss from continuing operations	**(2,463)**	(2,549)	(9,679)
Loss from discontinued operations	**(1,287)**	(15)	(7,202)
Loss for the period attributable to owners of the parent	**(3,750)**	(2,564)	(16,881)

	Unaudited 6 month period to 30 June 2011 € cents	Unaudited 6 month period to 30 June 2010 € cents	Audited Year to 31 December 2010 € cents
Basic and diluted loss per 5p ordinary share on continuing operations	**(0.50)c**	(0.80)c	(2.83)c
Basic and diluted loss per 5p ordinary share on discontinued operations	**(0.26)c**	–	(2.11)c
Total basic and diluted loss per 5p ordinary share	**(0.76)c**	(0.80)c	(4.94)c

	Shares	Shares	Shares
Calculated on the basis of the weighted average number of shares in issue during the period, being:	**490,187,044**	320,090,258	341,658,297

Consolidated statement of comprehensive income

	Unaudited 6 month period to 30 June 2011 €'000	Unaudited 6 month period to 30 June 2010 €'000	Audited Year to 31 December 2010 €'000
Loss after tax	**(3,750)**	(2,564)	(16,881)
Other comprehensive income/(expense):			
Foreign currency exchange (loss)/gain	**(392)**	(520)	1,166
Recycling of exchange losses previously recognised in equity	**577**	–	–
Other comprehensive income/(expense) for the period	**185**	(520)	1,166
Total comprehensive expense attributable to owners of the parent	**(3,565)**	(3,084)	(15,715)

Consolidated statement of financial position

	Unaudited 30 June 2011 €'000	Unaudited 30 June 2010 €'000	Audited 31 December 2010 €'000
Non current assets			
Oil and gas costs pending determination	**77,050**	35,441	56,511
Other intangible assets	**43**	19	16
Property, plant and equipment	**2,976**	207	178
	80,069	35,667	56,705
Current assets			
Trade and other receivables	**10,147**	2,809	10,977
Cash and cash equivalents	**95,283**	43,971	114,729
Assets held in disposal groups classified as held for sale	**–**	16,044	9,020
	105,430	62,824	134,726
Total assets	**185,499**	98,491	191,431
Current liabilities			
Trade and other payables	**(11,859)**	(3,327)	(13,163)
Loans and borrowings	**(7)**	(611)	(1,241)
Liabilities directly associated with assets in disposal groups classified as held for sale	**–**	(1,136)	(1,954)
	(11,866)	(5,074)	(16,358)
Non-current liabilities			
Loans and borrowings	**(14)**	(1,737)	–
Net assets	**173,618**	91,680	175,073
Capital and reserves			
Share capital	**30,714**	21,592	30,350
Share premium	**185,174**	96,205	183,406
Share based payment reserve	**2,440**	2,230	2,295
EBT reserve	**(167)**	–	–
Exchange translation reserve	**(8,128)**	(9,999)	(8,313)
Other reserves	**3**	3	3
Retained deficit	**(36,418)**	(18,351)	(32,668)
Total shareholders equity	**173,618**	91,680	175,073

Consolidated statement of changes in shareholders' equity (Unaudited)

	Share Capital €'000	Share Premium €'000	Share Based Payment Reserve €'000	EBT Reserve €'000	Exchange Translation Reserve €'000	Other Reserves €'000	Retained Deficit €'000	Total Equity €'000
Balance at 31 December 2009	**15,498**	**65,856**	**2,124**	**–**	**(9,479)**	**3**	**(15,787)**	**58,215**
Loss for the period	–	–	–	–	–	–	(2,564)	(2,564)
Foreign currency translation loss	–	–	–	–	(520)	–	–	(520)
Share capital issued	6,094	32,910	–	–	–	–	–	39,004
Share issue costs	–	(2,561)	–	–	–	–	–	(2,561)
Share based payment charge	–	–	106	–	–	–	–	106
Balance at 30 June 2010	**21,592**	**96,205**	**2,230**	**–**	**(9,999)**	**3**	**(18,351)**	**91,680**
Loss for the period	–	–	–	–	–	–	(14,317)	(14,317)
Foreign currency translation gain	–	–	–	–	1,686	–	–	1,686
Share capital issued	8,758	91,815	–	–	–	–	–	100,573
Share issue costs	–	(4,614)	–	–	–	–	–	(4,614)
Share based payment charge	–	–	65	–	–	–	–	65
Balance at 31 December 2010	**30,350**	**183,406**	**2,295**	**–**	**(8,313)**	**3**	**(32,668)**	**175,073**
Loss for the period	–	–	–	–	–	–	(3,750)	(3,750)
Foreign currency translation loss	–	–	–	–	(392)	–	–	(392)
Other comprehensive income	–	–	–	–	577	–	–	577
Share capital issued	364	1,768	–	(167)	–	–	–	1,965
Share based payment charge	–	–	145	–	–	–	–	145
Balance at 30 June 2011	**30,714**	**185,174**	**2,440**	**(167)**	**(8,128)**	**3**	**(36,418)**	**173,618**

Consolidated statement of cash flows

	Unaudited 6 month period to 30 June 2011 €'000	Unaudited 6 month period to 30 June 2010 €'000	Audited Year to 31 December 2010 €'000
Cash flows from operating activities			
Cash (used in)/generated from operations	**(3,623)**	(1,168)	(8,266)
Interest paid	**(48)**	(90)	(92)
Tax paid	**–**	(1)	(3)
Net cash (used in)/generated from operating activities	**(3,671)**	(1,259)	(8,361)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(650)**	(96)	(349)
Purchase of intangible non-current assets	**(23,286)**	(3,373)	(19,912)
Interest received	**224**	128	397
Net cash used in investing activities	**(23,712)**	(3,341)	(19,864)
Cash flows from financing activities			
Proceeds from issue of ordinary shares net of issue costs	**2,469**	36,443	132,402
Proceeds from sale of Romanian subsidiary	**5,300**	–	–
Repayment of Gemini Loan	**(1,241)**	(247)	(509)
Finance arrangement costs	**(7)**	–	(500)
Net cash flow from financing activities	**6,521**	36,196	131,393
Increase in cash and cash equivalents in the period	**(20,862)**	31,596	103,168
Cash and cash equivalents at start of period	**116,391**	13,989	13,989
Foreign exchange translation difference	**(246)**	(281)	(766)
Cash and cash equivalents at end of period	**95,283**	45,304	116,391

Note to the consolidated statement of cash flows

	Unaudited 6 month period to 30 June 2011 €'000	Unaudited 6 month period to 30 June 2010 €'000	Audited Year to 31 December 2010 €'000
Reconciliation of loss after tax to net cash flows from operating activities			
Loss after tax for the period	**(3,750)**	(2,564)	(16,881)
Adjustments for:			
Finance income	**(467)**	(176)	(1,078)
Finance expense	**12**	935	1,784
Other operating income	**(1)**	(12)	(66)
Tax charge for the period	**–**	1	3
Share based payments	**145**	106	170
Expensing of exploration costs	**113**	53	4,627
Provision on measurement of assets held for sale to fair value less costs to sell	**174**	–	7,815
Depreciation, depletion, amortisation & impairment charge	**90**	776	851
Exchange differences	**55**	118	258
Exchange differences transferred from Exchange Translation reserve	**577**	–	–
(Increase)/decrease in trade and other receivables	**400**	(141)	(7,290)
(Decrease)/increase in trade and other payables	**(971)**	(264)	1,541
Cash (used in)/generated from operations	**(3,623)**	(1,168)	(8,266)

Notes to the accounts

1. Accounting policies

The consolidated unaudited interim financial information set out in this report is based on the consolidated financial statements of Aurelian Oil & Gas PLC and its subsidiary companies (together referred to as the 'Group'). The financial statements of the Group for the 6 months ended 30 June 2011 were approved and authorised for issue by the Board on 29 September 2011. These financial statements have been prepared in accordance with the accounting policies that are expected to be applied in the Financial Statements of Aurelian Oil & Gas PLC for the year ending 31 December 2011 and are consistent with International Financial Reporting Standards adopted for use in the European Union.

Basis of preparation

The financial information for the six months ended 30 June 2011 and 30 June 2010 is unreviewed and unaudited and does not constitute the Group's statutory financial statements for those periods. The comparative financial information for the full year ended 31 December 2010 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006, but has been extracted from the statutory financial statements for that period. The statutory accounts for the year ended the 31 December 2010 have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not include any references to any matters to which the auditors drew attention by way of emphasis and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

The financial statements are presented in Euros and all values are rounded to the nearest thousand Euros (€'000) except where otherwise indicated.

The financial statements have been prepared under the historical cost convention, except for financial assets, which are carried at fair value.

The Company has certain contractual agreements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The Company includes its share of assets, liabilities and cash flows in joint arrangements, measured in accordance with the terms of each arrangement.

2. Discontinued operations

The loss on discontinued operations for the period of €1,287,000 relates to the finalisation of the disposal of Aurelian Oil & Gas (Romania) S.R.L. which was completed on 28 June 2011. The items making up the loss on discontinued operations were legal costs of €537,000, the recycling to the Income Statement of exchange differences previously recognised directly in equity of €577,000 and an impairment of assets held for sale to fair value of €173,000. The equivalent charge in the period to 30 June 2010 of €15,000 related to a profit on Romanian operations of €58,000 and legal costs of €73,000.

3. Loss per share

There is no difference between diluted loss per share and the basic loss per share as the Group reported a loss for the period. After adjusting for the impact of foreign exchange items the loss after tax for the period reduces from €3,750,000 to €3,100,000 (2010: loss reduces from €2,564,000 to €1,390,000).

4. Going concern

The Company has sufficient cash resources for its working capital needs and its committed capital expenditure programme at least for the next 12 months. As a consequence, the Directors believe the Company is well placed to manage its business risks. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the results for the six months ended 30 June 2011.

5. Interim statement

Copies of this Interim report for the six months ended 30 June 2011 will be available on the Company's website www.aurelianoil.com.

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Aurelian Oil & Gas PLC
4th Floor
4 Grosvenor Place
London, SW1X 7HJ
United Kingdom
Tel: +44 (0)207 245 4999
www.aurelianoil.com