Annual Report and Financial Statements
EUROPA OIL & GAS (HOLDINGS) plc

For the year ended 31 July 2009

Company registration number 5217946

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Directors and advisers

Company registration number	5217946
Registered office	11 The Chambers Vineyard Abingdon OX14 3PX
Directors	J M Y Oliver - Non Executive Chairman C W Ahlefeldt-Laurvig – Non Executive R J H M Corrie – Non Executive P A Barrett – Managing Director P Greenhalgh – Finance Director E S Syba – Operations Director
Secretary	P Greenhalgh
Banker	Royal Bank of Scotland plc 1 Albyn Place Aberdeen AB10 1BR
Solicitor	Charles Russell LLP 7600 The Quorum Oxford Business Park North Oxford OX4 2JZ
Auditor	BDO LLP 55 Baker Street London W1U 7EU
Nominated advisor and broker	Seymour Pierce Limited 20 Old Bailey London EC4M 7EN
Registrar	Computershare Investor Services plc PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH

Highlights

Operational highlights

- Crude oil sales of 77,743 barrels, a decrease of 12% on 2008
- Drilled top hole section of Hykeham-1 well
- Proved a potential 40% production increase for West Firsby
- Reduced equity in Brates block to 20%
- Secured extension to West Darag licence to 31 December 2009

Financial highlights

- Revenue of £2.9 million (2008: £4.4 million)
- Profit before tax of £0.4 million (2008: £2.1 million)
- Profit after tax from continuing operation of £0.1 million (2008: £0.4 million)
- Basic earnings per share from continuing operations 0.11 pence (2008: 0.71 pence)

Post balance sheet events

- Elected not to participate in any future Lilieci-1 development
- Placed 12.5 million shares to raise £1.7 million
- Drilled Voitinel-1. First test flowed gas at a rate of 1.6 mmscfpd.
- £1.6 million of available funding at 30 September 2009, post drilling of Voitinel
- Rig contract executed with BDF for the main section of Hykeham-1

Chairman's statement

The Group's financial year spans a period of unprecedented turbulence in commodity and equity markets, with Brent oil price falling from $120/bbl to under $40/bbl during the twelve months. The fall in oil prices, albeit from an unsustainable and artificial peak, adversely affected Europa's production revenues which fell to £2.9 million from £4.4 million in 2008. The directors reacted constructively to this situation by reducing their salaries by 20% while the oil price was below $50/bbl. Despite this challenging business environment, the Group has posted a pre-tax profit of £0.4 million (2008: £2.1 million).

The Group's production stream was also impacted by a fire at West Firsby, which caused a shutdown of that site's production in June and July 2009, resulting in an annual average production of 213 bopd (2008: 242 bopd). Experimental production optimisation at West Firsby, conducted in May, confirmed the potential for around 40% production increase at the site by upgrading the facilities. Although delayed by the fire, a programme of work to increase production at both West Firsby and Crosby Warren fields is now on-track to deliver improvements by the end of 2009.

In the Aquitaine basin of SW France, the Group has reprocessed the existing seismic data over most of the Béarn des Gaves and Tarbes Val d'Adour permits. The forward programme is to develop a drilling location in conjunction with possible new seismic acquisition in 2010.

Further afield, we successfully negotiated an extension of Phase 1 of the West Darag concession in Egypt in order to undertake the acquisition of a new seismic survey. The seismic survey is due to commence in October 2009 and a decision will then be made regarding a commitment to enter Phase 2 on the concession.

In early 2009, Europa participated in the drilling of the Lilieci-1 well Bacau, Romania, which is currently suspended. The well was drilled as part of an agreement with the Operator whereby our costs were carried and we had an option to back-in to the well, after testing, on payment of the carried costs plus a premium. Our assessment of the well tests was that there was insufficient gas in place to warrant backing-in to any future development and the option was not exercised. The results underlined the soundness of the decision to drill this well at almost nil cost to Europa.

The high profile Voitinel well Brodina, Romania spudded on 21 August 2009 and reached TD on 19 September 2009. The primary target of the prospect did not contain hydrocarbons, however the Brodina group decided that the gas shows in a secondary target at a shallower depth warranted testing. The test is currently in progress. Initial results are promising, with the first test flowing at a rate of 1.6 mmscfpd. The Operator will report when the tests are completed at the end of October.

Following the spudding of Voitinel-1 the directors took advantage of an opportunity to raise equity funds. This resulted in net proceeds of £1.7 million. Directors and employees subscribed to 20% of the amount raised, with only a 16.6% dilution to existing shareholders. This capital allows the Group to quicken the pace on the production enhancement programmes, a process which is already underway. It is anticipated that production will rise to over 350 bopd after completion of these programmes. At 30 September 2009 Europa had £1.6 million of available funding.

Attention now switches to the East Midlands again with the Hykeham-1 exploration well PEDL150, UK, a low risk drill offsetting our producing Whisby oilfield. The well was spudded early in 2009 and drilled to 88m before being suspended due to summer bird breeding season drilling restrictions. The Hykeham-1 well targets 10mmbo in place and has all the essential elements for a low risk oilfield prospect. We believe the well has a 1 in 3 chance of success. We expect this well to be completed by January 2010 and if successful, could be put on production immediately providing an indicative Group production level of over 500 bopd.

Since June, oil prices have rallied and steadied in the $60-70/bbl range and most economies have started to recover. This bodes well for a more stable and predictable year ahead in terms of revenue stream. Combining this with increased production, drilling in the UK, Romania and potentially France and Egypt, make for a very exciting 2010.

Sir Michael Oliver
Chairman

Operational review

Licence Interests Table

Country	Project	Equity	Operator	Status
UK	Crosby Warren Oilfield	100%	Europa	Production
UK	West Firsby Oilfield	100%	Europa	Production
UK	Whisby Oilfield (W4 only)	65%	BPEL	Production
UK	PEDL143 (Holmwood)	40%	Europa	Exploration, Holmwood-1 well planned 2010
UK	PEDL150 (SW Lincoln)	75%	Europa	Exploration, Hykeham-1 well, West Whisby prospect
UK	PEDL180 (NE Lincs)	50%	Europa	Exploration, Wressle prospect
UK	PEDL181 (NE Lincs)	50%	Europa	Exploration, Caister Horst prospect
UK	PEDL222 (Torksey Area)	50%	Valhalla	Exploration, maturing prospects
Romania	EIII-1 Brodina	28.75%	Aurelian	Exploration, Voitinel-1 on test
Romania	EPI-3 Brates	20%	MND	Exploration, Barchiz-1 well and Tazaul Mare prospect
Romania	EIII-3 Cuejdiu	17.5%	Aurelian	Boistea-1 commercial feasibility study
Romania	EIII-4 Bacau	19%	Aurelian	Exploration, 4 year extension secured
France	Béarn des Gaves	100%	Europa	Exploration possible field development
France	Tarbes val d'Adour	100%	Europa	Field re-development, exploration
Poland	Blocks 434, 435, 454 and 455	2.5% *	RWE-Dea	Appraisal drilling of Pola oil discovery to commence in late 2009
Egypt	West Darag Onshore	60%	Europa	Exploration, seismic acquisition
Western Sahara	Bir Lehlou	100%	Europa	Inactive – force majeure
Western Sahara	Hagounia	100%	Europa	Inactive – force majeure

* Overriding royalty interest

Operational review (continued)

Summary

The Group holds interests in 18 licences (see table), with 15 in Europe and 3 in North Africa. The company strives to maintain a balanced portfolio and has, on an unrisked reserves potential basis, 2% of the portfolio in production, 9% in appraisal, 58% low risk exploration and 31% in high risk, high reward exploration. We believe this balance allows the Group to use production to build revenue through low risk drilling, and pay for high reward wells.

United Kingdom

Production/Development

Crosby Warren

Crosby Warren produces oil from the CW1 well, at about 45bopd. The CW2 well is currently shut-in awaiting a workover. The field is undergoing a production enhancement programme which includes a larger pump on CW1 and a proppant frac stimulation on CW2, a technique which was used to great effect on CW1. These are scheduled to complete during the fourth quarter of 2009.

West Firsby

In May, a series of engineering studies proved that the West Firsby Oilfield had been underperforming and production could be increased by over 40% from its average production of 120 bopd. An upgrade of the facilities will be required to maximize and sustain this production increase and ensure production reliability. In September, OSL Consulting Limited were engaged to design these modifications. Work has already begun and is scheduled to complete in 16 weeks.

On the morning of 22 June 2009, a fire caused damage to two engines and pumps. The emergency shutdown system activated and damage was contained within the engine bund. There were no injuries, no spill of oil, and the equipment was fully insured. Production was quickly restored from the WF7 well and at the time of writing, production from the field was averaging 80 bopd. Work continues to bring both wells back to full production.

The field is being remapped with the aim of determining infill drilling locations. This work is expected to be completed before the end of October. Planning permission has already been obtained for a new well at West Firsby and once a location is determined, this well can be drilled relatively quickly and cheaply.

Whisby

Production continues along a well-defined decline curve for the W4 well. At the end of the reporting period, the well was producing 90 bopd (58 bopd net to Europa) with a cumulative production of approximately 350,000 bbls. No additional work is planned on the well.

Exploration

The UK onshore has several petroleum basins and our exploration efforts over the past year have concentrated on the East Midlands Petroleum Basin and the Weald Basin in Southern England. The East Midlands has a long history of oil and gas production from the Carboniferous and currently produces mainly oil, with rates of up to 2,500 bopd. The Weald Basin produces both gas and oil from Jurassic reservoirs.

Operational review (continued)

United Kingdom (continued)

Exploration (continued)

PEDL150 (75%) – Hykeham & West Whisby Prospects (East Midlands Petroleum Basin)
The Hykeham prospect received planning consent for drilling in 2008. A moratorium during the bird breeding season at the adjacent Whisby Nature Park means that the well cannot be drilled between the beginning of March and the end of August. For this reason, it was cost effective to spud the well in January 2009 and drill to a depth of 88m before setting surface casing and suspending until the end of the bird breeding season. Europa has signed a contract with British Drilling and Freezing Limited (BDF) for their Rig 28 to drill the main section of Hykeham-1 and it is anticipated that drilling will commence in late 2009 after the rig's current campaign.

Hykeham is a well-defined prospect with clear four-way dip closure and a common spillpoint with the Whisby Oilfield, 1.5km to the northwest. The nearby Caledonian Farm well encountered good oil shows in a 10m thick channel sandstone reservoir, significantly thicker than that seen in the Whisby Oilfield. The well is targeting 10 million barrels of oil in place and is given an in-house risk assessment of better than a 1 in 3 chance of success.

We are excited about drilling this well and regard it as having a good chance of containing commercial hydrocarbons with an estimated 2.4 million barrels of potential recoverable oil. If successful, this well will more than double our reserves and can immediately be in production and generate revenue.

In April 2009 Europa received planning permission to drill an exploration well at West Whisby on the same licence. The West Whisby Prospect has an estimated 2.5 mmbo of most likely prospective reserves.

PEDL180 and PEDL181 (50%) (East Midlands Petroleum Basin)
These two licences cover an area of some 600km^2 of the Humber Basin. On this acreage the Wressle prospect, only 7 km from Crosby Warren, is the most-likely low-risk first drill target. In addition, reprocessing of the Immingham 3D seismic survey is underway and there is a strong possibility that the Caister Horst lead, identified for the licence application, will develop into a Saltfleetby Field 'lookalike' (the largest onshore gasfield, with over 73bcf of 2P reserves) and therefore mature into a 'must-drill' prospect.

Management believes that the acquisition of this large prospective area stole a march on the competition and will create a flow of high quality drillable prospects over the coming years.

PEDL222 (50%) (East Midlands Petroleum Basin)
This is primarily protection acreage, connecting the three disparate parts of PEDL150, but also covering the Torksey Field, a subcommercial discovery with potential stratigraphic upside. Work continues on the block, operated by Valhalla.

PEDL143 (40%) – Holmwood Prospect (Weald Basin)
Following a lengthy process of environmental and planning management a planning application was lodged with Surrey County Council in January 2009. In April, the Council requested further information in order for the planning department to submit their recommendation to the committee. A planning decision is expected in late 2009.

There has been some local objection to this application due to its location in an Area of Outstanding Beauty in the Surrey Hills. While understandable, we believe the objections are unjustified. Enormous effort has been made to ensure that the location will not be adversely affected by this temporary development in a secluded, working, Forestry Commission conifer plantation site. Extensive ecological, archeological, noise, light and traffic assessments have been commissioned and these have not revealed any specific causes for concern over the proposed drilling.

Operational review (continued)

United Kingdom (continued)

Exploration (continued)

P1545 (50%) – East Irish Sea blocks 109/5 and 112/30 (UK Offshore)
The existing 2D seismic database was reprocessed and amplitude variations with offset (AVO) work undertaken to attempt to de-risk the presence of gas in the large structural closure. Amplitude anomalies in the anticipated reservoir sequence did not result in an AVO anomaly. Following this result, it was decided to allow the licence to lapse in 2009 without entering into a drilling commitment.

Romania

EIII-4 Bacau Concession (19%) – Lilieci Discovery
Lilieci-1 reached a total depth of 2,958m in December 2008 encountering a number of gas-bearing sands. Three zones were tested at an aggregate flowrate of 4.6mmscfpd (800 boepd) in February. The Bacau group undertook a further test of extended duration in April-May 2009. The test flowed gas at 2mmscfpd, but demonstrated linear pressure decline during the flow periods. Our assessment is that the well is in contact with a limited volume of gas.

The well was drilled as part of an agreement with the operator whereby Europa's costs were carried and we had an option to back-in to the well after testing, on payment of the carried costs plus a premium. Following the results of the extended test, we elected not to participate in any development of the discovery on commercial grounds.

The consequence of this is that Europa foregoes its 19% working interest in the Lilieci discovery but retains its interest in the remainder of the block, covering some 1,250km² and including oil plays in the thrust belt in the western part of the licence. This area remains under explored and is likely to benefit from further seismic investigation in 2010.

Work continues on maturing the prospectivity of the Bacau licence. A four-year extension has been secured which will allow work to progress on developing prospects in the western, thrustbelt, area of the block. In addition, it is expected that partner Romgaz will acquire seismic in late 2009 over the southern part of the licence.

EIII-1 Brodina Concession (28.75%) – Voitinel Prospect
The high potential Voitinel Prospect was spudded in August 2009. The well targeted the sub-thrust Badenian sandstones which produce in the Lopushnya Field to the north. Disappointingly, the primary target sandstones were dry. Several shallower sandstones had gas shows and the deepest of these flowed on test at a rate of 1.6 mmscfpd with a flowing pressure of 55 bar. The forward plan is to perforate additional zones and undertake multi-rate tests during late October and we will report the full results in due course.

The Voitinel-1 well was scheduled to take 52 days to reach total depth (TD) but actually reached TD in under 30 days. The savings achieved have allowed the Group to bring forward the UK production enhancement programmes.

EPI-3 Brates Concession (20%) – Barchiz and Deep Tazlaul Mare Prospectivity
Equity interest in the concession was previously split differently between Eastern and Western parts. During the year Europa agreed to reduce overall interest in the combined Brates block to 20%.

Specialised seismic processing of seismic data acquired in 2008 over the complex thrust belt area has demonstrated some remarkable improvement in imaging, notably in the Tazlaul Mare area. Structural modeling has postulated that a thrusted sequence of prospective Oligocene sediments must underpin the Tazlaul Mare structure, where a gas condensate field has been developed in the shallower section. On conventional seismic data, it is not possible to see any of the detailed structure of the deep Tazlaul Mare area, but trials of the new processing clearly demonstrates highly promising structural rollover with size in the 50-100mmbo prospective resources range. Further lines will be processed using this technique in order to mature this lead for drilling.

Operational review (continued)

Romania (continued)

EPI-3 Brates Concession (20%) – Barchiz and Deep Tazlaul Mare Prospectivity (continued)

Elsewhere on the concession, the Barchiz Prospect, situated on the same structural trend as the 50mmbo Geamana Oilfield, is anticipated to be drilled in 2010.

EIII-3 Cuejdiu Concession (17.5%) – Boistea Gas Discovery

The Boistea-1 well tested gas at modest rates from Sarmatian sands after suffering formation damage during testing. It is clear from the flow rates at Lilieci-1, where reservoir quality and pressure are similar, that un-damaged formation at Boistea should flow at significantly higher rates than the original test. It is therefore possible that a reservoir frac treatment, coupled with a long-term test, could generate a viable commercial development for Boistea.

France

Europa holds two licences in the Aquitaine Basin.

Tarbes Val d'Adour (100%)

In Tarbes Val d'Adour, effort is focused on the potential re-development of the Osmets Oilfield. This field was shut-in by Total during a time of very low oil price in the mid 80's. Europa has reprocessed a large amount of seismic, including 600km of 2D data in the vicinity of the Osmets play and is working with BRGM, the French Geological Survey, to undertake a regional geological study. With the early production data now received from Total, Europa intends to re-interpret the area with the expertise of BRGM, with the aim of finding a suitable well location in 2010 to re-develop the Osmets Oilfield.

Béarn des Gaves (100%)

In the Béarn des Gaves permit, there are a number of wells that have showed gas, including the deep Berenx-1 well, which encountered high pressure gas in the same reservoir as the 5TCF Lacq gasfield. In the western part of the licence, several shallow wells drilled in the early part of the 20th century flowed oil and gas. This western part of the licence is therefore the primary focus for exploration.

Poland

An early stage investment for Europa was in the North Carpathian area of Poland, home to a number of oil and gas fields in similar settings to the Company's Romanian acreage. As a result of this initial working interest in Blocks 434, 435, 454 and 455 in southern Poland, Europa acquired a 2.5% overriding royalty interest in any oil and gas production.

The current operator RWE Dea, the E&P arm of the German utility, has recently drilled several wells in the licence areas and plans to drill a number of appraisal wells to the Pola-1 oil discovery starting in November 2009. In advance of any production from these Blocks, the Company is in the process of clarifying the legal status of the royalty.

Egypt

Europa, along with its partner Solaris Energy plc, has identified several structural leads each with reserves potential of 15 - 35mmbo recoverable in the Sukhna area of the concession. Sukhna is a coastal plain where the Gulf of Suez (GOS) rift comes onshore and its proven petroleum system is indicated to extend into the area of these mapped leads. The GOS, despite its small overall size, is an extraordinarily prolific petroleum system, having produced over 5 billion barrels to date.

Although Europa has made significant progress with the existing seismic data, we have been unable to reprocess as planned due to degradation of the original tape records. We have therefore decided to progress directly to seismic acquisition with the objective of firming up drillable targets. The cost of the survey, detailed in the winning tender, will for the most part be covered by the existing letter of guarantee that Europa provided in favour of Egyptian General Petroleum Corporation (EGPC).

In June EGPC granted Europa a six month extension on the first phase of the West Darag concession in order to permit the acquisition of approximately 350km of 2D seismic data prior to making the decision to enter into Phase 2. The preferred contractor for this new seismic acquisition has indicated its availability to undertake the survey starting in October.

Operational review (continued)

Western Sahara

Europa holds two large exploration permits, Bir Lehlou and Hagounia in Western Sahara licensed by the Saharawi Arab Democratic Republic. Due to the ongoing dispute over sovereignty between the indigenous Saharawi people and the Moroccan state, the licences are effectively in force majeure until such time as a resolution is reached.

Bir Lehlou (100%)

The Bir Lehlou permit is located in southwest of the Tindouf Basin. This is a sub-set of the large Palaeozoic basin which once covered North Africa and shares a common history with the Sirte and Murzuq Basins in Libya, along with the Ghadammes and Reggane Basins in Algeria. While these analogous basins have world-class volumes of proven hydrocarbons, the Tindouf is almost totally unexplored. This is primarily a function of it remote location and the fact that the basin is thought to be over mature for oil but remains gas bearing in the southern portion, where the Bir Lehlou permit is located. The basin is estimated to contain over 8000 metres of sediment and if found to be hydrocarbon bearing could be equally as prolific as the Libyian and Algerian Basins.

Hagounia (100%)

The Hagounia permit lies in the El Aaiun Basin in the coastal region of Western Sahara in a setting similar to other West African coastal margin basins, such as Mauritania. The basin formed as an extensional rift system during the Late Triassic to Lower Jurassic, followed by subsidence and renewed rifting during the Cretaceous period. Source rocks which were deposited in the basin during the Jurassic are now mature for oil and overlain by Cretaceous clastics and further organic-rich marine shales. Triassic age organic-rich shales may also provide a second deeper petroleum system.

Although there has been little exploration in the El Aaiun, gas shows have been recorded in Triassic through Tertiary age sediments. Oil shows were present in one well in Jurassic age sediments and the Cap Juby Field, which lies on trend in Morocco, produced heavy oil on test at a rate of 2,400 bopd from Jurassic carbonates.

Ukraine

A letter of intent was signed between the company and a Swedish-listed oil and gas company in anticipation of an outright sale of the Ukraine assets. Progress has been slow due to the legal process in Ukraine but we move towards completion.

Paul Barrett
Managing Director

Financial review

Results for the year

Group revenue for the year was £2,936,000 (2008: £4,418,000).

UK oil revenues during the year ended 31 July 2009 were 77,743 barrels or 213 bopd (2008: 88,710 barrels or 242 bopd). Crosby Warren production was down by 7,931 barrels or 22 bopd due to technical problems with the CW2 well. Approximately 2,000 barrels of West Firsby production was delayed as a result of reduced production following the fire on 22 June 2009.

The selling price for Europa's UK production is contracted at a small discount to Brent crude price. Average price achieved in the year to 31 July 2009 was $62.30 per barrel (2008: $99.45).

A stronger US Dollar in the year to 31 July 2009 meant that some of the reduced Dollar revenue was recovered as the sales were translated to Sterling at an average rate of $1.6533 (2008: $2.0050).

The Crosby Warren field sells a very small quantity of gas to the nearby Corus steelworks.

Cost of sales increased due to site maintenance and higher chemicals costs. For the calculation of the depletion charge included in cost of sales, the Group adopted the findings of the reserves report issued by Energy Resource Consultants Limited dated 23 November 2008. The intangible asset associated with the East Irish Sea exploration was written off in the year. Administrative expenses increased as a result of a charge in respect of stock options granted to two directors in the previous year.

Finance income and finance costs were both affected by exchange fluctuations. The cost of an out-of-the-money interest rate swap with current fair value of £40,000 was recognised.

The results for 2009 show a profit before taxation of £423,000 (2008: £2,054,000).

Taxation

The total tax charge (current and deferred) for the year was £356,000 (2008: £1,609,000). All of the charge relates to UK activities where the 20% Supplemental Charge applies to producing fields. The Field Allowance incentive announced by HMRC in April 2009, will exempt future UK onshore discoveries from the Supplemental Charge.

Profit after tax

The results for 2009 show a profit from continuing activities after taxation of £67,000 (2008: £445,000).

Discontinued operations

As announced in 2008, Europa has entered into discussions with a Swedish oil and gas company to divest the Group's remaining assets in Ukraine. The assets were substantially written down in 2007 and are presented as a discontinued activity, with a full provision.

Cashflow

Net cash inflow from operating activities was £1,411,000 (2008: £2,942,000). Net cash used in investing activities was £1,121,000 (2008: £4,058,000). The net overdraft at the end of the year was £292,000 (2008: £1,019,000).

Financial risk

Europa's activities are subject to a range of financial risks including commodity prices, liquidity within the business and of counterparties, exchange rates and loss of operational equipment or wells. These risks are managed through ongoing review taking into account the operational, business and economic circumstances at that time.

Commodity price and currency

The Board has considered the use of financial instruments to hedge oil price and US Dollar exchange rate movements. To date, the Board has not hedged against price or exchange rate movements, but intends to regularly review this policy.

Financial review (continued)

Financial risk (continued)

Commodity price and currency (continued)
Sales revenue is generated primarily in US Dollars and these funds are matched where possible against expenditures within the business. However, most capital and operating expenditures are Euro and Sterling denominated which results in a currency exposure. US Dollar receipts have been used to purchase Euros and Sterling.

Liquidity
Detailed cash forecasts are prepared frequently and reviewed by management and the Board.

The Group's production provides a monthly inflow of cash and is the main source of working capital and project finance. Additional cash is available from a £1 million multi option facility and a £1 million term loan provided by Europa's bankers. The principal interest rate risk for the Group is the interest charge arising from utilisation of this facility.

On 12 March 2008, with the bank facility fully utilised, short term funding was provided by the Sherborne Trust, a discretionary trust of which C W Ahlefeldt-Laurvig was a beneficiary. The Trust provided a £512,000 loan. On 2 April 2008 this loan was assigned to C W and Mrs M Ahlefeldt-Laurvig. The loan, plus £25,000 of accrued interest, was outstanding at 31 July 2008 but fully repaid in August 2008.

On 1 December 2008 the share finance facility with Headstart terminated. Since the facility was put in place on 1 June 2006 three draw downs were made for a total £300,000 in exchange for the issue of new ordinary shares. On 31 May 2009, 300,000 warrants which were issued to the Headstart Group of Funds as part of the above financing arrangement expired.

Exploration, drilling and operational risk
The business of exploration and production of oil and gas involves a high degree of risk. Few properties that are explored are ultimately developed into producing oil and gas fields.

Significant expenditure is required to establish the extent of oil and gas reserves through seismic surveys and drilling and there can be no certainty that oil and gas reserves will be found. The exploration and development of oil and gas assets may be curtailed, delayed or cancelled by unusual or unexpected geological formation pressures, oceanographic conditions, hazardous weather conditions or other factors.

There are numerous risks inherent in drilling and operating wells, many of which are beyond the company's control. The Group's operations may be curtailed, delayed or cancelled as a result of environmental hazards, industrial accidents, occupational and health hazards, technical failures, shortage or delays in the delivery of rigs and/or other equipment, labour disputes and compliance with governmental requirements.

Drilling may involve unprofitable efforts, not only with respect to dry wells, but also to wells which, though yielding some oil or gas, are not sufficiently productive to justify commercial development. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs.

Appropriate insurance cover is obtained annually for all of Europa's exploration, development and production activities.

Accounting policies

The Group has not made any material changes to its accounting policies in the year to 31 July 2009

Phil Greenhalgh
Finance Director

Directors' report

The directors present their report and the audited financial statements for the year ended 31 July 2009.

Principal activities

The principal activity of the Group is investment in oil and gas exploration, development and production. The Group's assets and activities are located in the United Kingdom, Romania, France, Egypt, Western Sahara and Ukraine. The Board has considered and will continue to consider investments in Europe and the North Africa region.

Business review

A detailed review of the Group's business and prospects is set out in the Chairman's statement and Operational review. The Financial review and Corporate governance statement detail the risks to which the Group is exposed and how these risks are managed with the oversight of the Board and the Audit Committee. The directors consider that the combination of production and exploration activities is a key strength of the Group. All activities are closely managed from the head office.

Results for the year and dividends

The Group profit for the year after taxation was £20,000 (2008:£149,000). The directors do not recommend the payment of a dividend (2008: £nil).

Policy and practice on payment of suppliers

The Group's policy on payment of suppliers is to settle amounts due on a timely basis taking into account the credit period given. At 31 July 2009, the Group had 47 days of purchases outstanding (2008: 31 days) and the Company had 83 days of purchases outstanding (2008: 44).

Directors and their interests

The directors of the Company throughout the year, and their interests in the share capital of the Company at 31 July were:

	Number of ordinary shares		Number of ordinary share options	
	2009	**2008**	**2009**	**2008**
C W Ahlefeldt-Laurvig [1]	23,252,442	23,252,442	-	-
P A Barrett & E S Syba [2]	16,832,929	16,047,694	-	-
R J H M Corrie [3]	37,500	37,500	500,000	500,000
P Greenhalgh	100,000	-	1,250,000	1,250,000
J M Y Oliver	-	-	200,000	200,000

1. C W Ahlefeldt-Laurvig jointly with his wife is the registered owner of 17,258,886 shares. Mrs Ahlefeldt-Laurvig is the registered owner of 5,993,556 shares
2. P A Barrett is the registered owner of 6,537,758 shares and the beneficial owner of 1,674,257 shares held in a self invested personal pension (SIPP). E S Syba is the registered owner of 7,623,732 shares and the beneficial owner of 997,182 shares held in a SIPP. As they are married to each other, the holding of the other, is deemed to be part of their own.
3. R J H M Corrie's wife has a 50% interest in R.T. Property Investments Limited which owns 50,000 shares and Corrie Limited, of which Mr Corrie is a director, owns 12,500 shares.

Share options are exercisable: one third after 18 months, a further third after 30 months and the balance after 42 months, from the date of grant. J M Y Oliver was granted options on 11 November 2004 which are exercisable at 25 pence per share. R J H M Corrie and P Greenhalgh options were granted on 8 May 2008 and are exercisable at 20 pence per share.

Directors' report (continued)

Director's interests in transactions

No director had, during the year or at the end of the year, other than disclosed below, a material interest in any contract in relation to the Group's activities except in respect of service agreements.

During the year, C W Ahlefeldt-Laurvig provided services as a petroleum engineer on a consultancy basis at a cost of £2,000 (2008: £22,000). It is anticipated that these services will continue into the next financial year. In August 2008 the Company repaid a £512,000 loan plus £25,000 of interest to C W Ahlefeldt-Laurvig. Full details are included in Note 25.

The Group places annual insurance to cover director's and officer's liability.

Post balance sheet events

Details of post balance sheet events are included in Note 26 to the financial statements.

Capital structure

The directors took the opportunity to raise £1.7 million of new equity financing in September 2009. Directors consider that the capital structure is appropriate for the current needs of the Group. Further details on the Group's capital structure are included in Note 22.

Accounting policies

A full list of accounting policies is set out in Note 1 to the financial statements.

Disclosure of information to the auditors

In the case of each person who was a director at the time this report was approved:

- So far as that director was aware there was no relevant available information of which the company's auditors were unaware.
- That director had taken all necessary steps to make themselves aware of any relevant audit information, and to establish that the company's auditors were aware of that information.

Auditors

A resolution to re-appoint the auditors, BDO LLP will be proposed at the next Annual General Meeting.

On behalf of the Board 19 October 2009

P Greenhalgh
Finance Director

Statement of directors' responsibilities

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Corporate governance statement

The Combined Code on Corporate Governance as issued by the Financial Reporting Council is not mandatory for companies on AIM; however, the directors support the principles and are applying the requirements where they are considered appropriate to the size and nature of the Group. Where practice differs from the Code, the Board will explain to shareholders why it considers it is in the Group's best interest not to have applied the Code. The Board will consider on a regular basis changes to those areas in which there is not full compliance.

The Board

The Board consists of three non-executive and three executive directors.

The role of Chairman is held by a non-executive and the role of Managing Director is held by an executive director. This creates a clear distinction and division of responsibilities at the head of the Group.

The Board is responsible to the shareholders of the company for all significant financial and operational issues which include strategy, reviewing and approving budgets, ensuring adequate cash resources, approval of capital expenditure and acquisition and divestment opportunities. Matters for consideration at formal meetings are clearly laid out. A record is kept of proceedings and any decisions taken.

Each director retires and stands for re-election by shareholders at least once every three years. All directors are subject to election by shareholders at the first opportunity following their appointment.

All directors have full access to management and employees, the Company Secretary and independent professional advice in order to execute their duties.

During the year, the Board held nine meetings (2008: eight). All directors were able to attend other than J M Y Oliver on one occasion. The Board intends to meet at least six times a year.

The non-executive directors hold, either directly or through beneficial interest, ordinary shares and options. The company believes that this serves to align non-executives with shareholders and does not adversely affect their independence.

Remuneration Committee

The Remuneration Committee consists of the three non executive directors and is chaired by J M Y Oliver. This committee aims to meet at least twice a year. It is responsible for establishing and developing the Group's policy on director and senior management remuneration and contracts.

The Board as a whole decides on the remuneration and contracts of the non-executive directors.

No director is involved in deciding their own remuneration.

Nomination Committee

The directors do not consider it appropriate to appoint a Nomination Committee given the size of the Group. The need for a Nomination Committee will be kept under regular review by the Board.

Audit Committee

The Audit Committee consists of the three non executive directors and is chaired by C W Ahlefeldt-Laurvig. The committee aims to meet three times a year. The Group's auditors and executive directors attend meetings by invitation. For at least one meeting, or part thereof, the committee meets the auditors without executive Board members present.

The Audit Committee is responsible for reviewing the annual and interim accounts, annual audit, accounting policies, internal control and compliance procedures, and decision making processes, particularly with regard to the management of risk.

Corporate governance statement (continued)

Audit Committee (continued)

In April the committee recommended the appointment of new auditors and Nexia Smith & Williamson were asked to resign. Following a short selection process, BDO LLP were appointed as Group auditors.

During the year the committee considered the need for an internal audit function. Given the nature and current size of the Group, it is not considered appropriate to have a dedicated internal audit function.

Internal control

The directors are responsible for the process and system of internal controls and reviewing their effectiveness. The process and system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Internal controls along with business risks were monitored during the course of 2009.

Communication with shareholders

The company provides information to shareholders about the Group's activities in the annual report and accounts and the interim report. This is complemented with information available through regulatory announcements of the London Stock Exchange and the Company's website at www.europaoil.com. Shareholders may register on the website to receive news releases issued by the Group directly to their email. Shareholders are encouraged to attend the Annual General Meeting at which directors are introduced and available for questions.

Report of the independent auditors

Independent auditor's report to the members of Europa Oil & Gas (Holdings) plc

We have audited the financial statements of Europa Oil & Gas (Holdings) plc for the year ended 31 July 2009 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Balance Sheet, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Cash Flow Statement, and the related Notes 1 to 26. The financial reporting framework that has been applied in the preparation of both the Group financial statements and the parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 July 2009 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Group financial statements have been prepared in accordance with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the independent auditors (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Anne Sayers, Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
19 October 2009

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement for the year ended 31 July 2009

	Note	2009 £000	2008 £000
Continuing operations			
Revenue	2	**2,936**	4,418
Other cost of sales		***(1,694)***	*(1,548)*
Exploration write-off	11	***(297)***	*(1)*
Total cost of sales		**(1,991)**	(1,549)
Gross profit		**945**	2,869
Administrative expenses		**(498)**	(376)
Finance income	7	**224**	12
Finance costs	8	**(248)**	(451)
Profit before taxation	3	**423**	2,054
Taxation	9	**(356)**	(1,609)
Profit for the year from continuing operations		**67**	445
Discontinued operations			
Loss for the year from discontinued operations	6	**(47)**	(296)
Profit for the year attributable to the equity shareholders of the parent		**20**	149

	Note	2009 Pence per share	2008 Pence per share
Earnings / (loss) per share (eps)			
Basic eps from continuing operations	10	**0.11p**	0.71p
Basic eps from discontinued operations	10	**(0.08)p**	(0.47)p
Basic eps from continuing and discontinued operations	10	**0.03p**	0.24p
Diluted eps from continuing operations	10	**0.11p**	0.70p
Diluted eps from discontinued operations	10	**(0.08)p**	(0.47)p
Diluted eps from continuing and discontinued operations	10	**0.03p**	0.24p

The accompanying accounting policies and notes form part of these financial statements.

Consolidated balance sheet as at 31 July 2009

	Note	2009 £000	2008 £000
Assets			
Non-current assets			
Intangible assets	11	**7,473**	7,241
Property, plant and equipment	12	**5,554**	5,996
Total non-current assets		**13,027**	13,237
Current Assets			
Inventories	14	**15**	16
Trade and other receivables	15	**469**	656
Cash and cash equivalents		**4**	3
Total current assets		**488**	675
Total assets		**13,515**	13,912
Liabilities			
Current liabilities			
Trade and other payables	16	**(900)**	(1,752)
Current tax liabilities		**(588)**	(380)
Fair value through profit or loss	16	**(40)**	-
Short-term borrowings	17	**(767)**	(1,548)
Total current liabilities		**(2,295)**	(3,680)
Non-current liabilities			
Long-term borrowings	17	**(772)**	(302)
Deferred tax liabilities	18	**(2,651)**	(2,701)
Long-term provisions	19	**(1,137)**	(1,058)
Total non-current liabilities		**(4,560)**	(4,061)
Total liabilities		**(6,855)**	(7,741)
Net assets		**6,660**	6,171
Capital and reserves attributable to equity holders of the parent			
Share capital	20	**626**	626
Share premium account	20	**4,692**	4,692
Merger reserve	20	**2,868**	2,868
Forex reserve	20	**352**	(21)
Retained earnings	20	**(1,878)**	(1,994)
Total equity		**6,660**	6,171

These financial statements were approved by the Board of directors and authorised for issue on 19 October 2009 and signed on its behalf by:

P Greenhalgh, Finance Director
Company registration number 5217946

The accompanying accounting policies and notes form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 July 2009

Attributable to the equity holders of the parent

	Share capital £000	Share premium £000	Merger reserve £000	Forex reserve £000	Retained earnings £000	Total equity £000
Balance at 1 August 2007	620	4,597	2,868	5	(2,140)	5,950
Exchange difference on translation of foreign operations	-	-	-	(26)	-	(26)
Profit for the year	-	-	-	-	149	149
Total recognised income and expense for the year	**-**	**-**	**-**	**(26)**	**149**	**123**
Share based payment	-	-	-	-	(3)	(3)
Issue of share capital	6	95	-	-	-	101
Balance at 31 July 2008	**626**	**4,692**	**2,868**	**(21)**	**(1,994)**	**6,171**

	Share capital £000	Share premium £000	Merger reserve £000	Forex reserve £000	Retained earnings £000	Total equity £000
Balance at 1 August 2008	626	4,692	2,868	(21)	(1,994)	6,171
Exchange difference on translation of foreign operations	-	-	-	373	-	373
Profit for the year	-	-	-	-	20	20
Total recognised income and expense for the year	**-**	**-**	**-**	**373**	**20**	**393**
Share based payment	-	-	**-**	-	96	96
Balance at 31 July 2009	**626**	**4,692**	**2,868**	**352**	**(1,878)**	**6,660**

The accompanying accounting policies and notes form part of these financial statements.

Company balance sheet as at 31 July 2009

	Note	2009 £000	2008 £000
Assets			
Non-current assets			
Property, plant and equipment	12	**384**	406
Investments	13	**3,312**	3,303
Loans to Group companies	15	**3,976**	4,464
Total non-current assets		**7,672**	8,173
Current assets			
Other receivables	15	**19**	26
Cash and cash equivalents		**297**	131
Total current assets		**316**	157
Total assets		**7,988**	8,330
Liabilities			
Current liabilities			
Trade and other payables	16	**(100)**	(133)
Current tax liabilities		**-**	(14)
Fair value through profit or loss	16	**(40)**	-
Short-term borrowing	17	**(20)**	(526)
Total current liabilities		**(160)**	(673)
Non-current liabilities			
Long-term borrowings	17	**(272)**	(302)
Total non-current liabilities		**(272)**	(302)
Total liabilities		**(432)**	(975)
Net assets		**7,556**	7,355
Equity			
Share capital	20	**626**	626
Share premium	20	**4,692**	4,692
Merger reserve	20	**2,868**	2,868
Retained earnings	20	**(630)**	(831)
Total equity		**7,556**	7,355

These financial statements were approved by the Board of directors and authorised for issue on 19 October 2009 and signed on their behalf by:

P Greenhalgh
Finance Director
Company registration number 5217946

The accompanying accounting policies and notes form part of these financial statements.

Company statement of changes in equity for the year ended 31 July 2009

	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
Balance at 1 August 2007	620	4,597	2,868	(472)	7,613
Changes in equity for year					
Loss for the year	-	-	-	(356)	(356)
Total recognised income and expense for the year	**-**	**-**	**-**	**(356)**	**(356)**
Share based payment	-	-	-	(3)	(3)
Issue of share capital	6	95	-	-	101
Balance at 31 July 2008	**626**	**4,692**	**2,868**	**(831)**	**7,355**

	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total Equity £000
Balance at 1 August 2008	626	4,692	2,868	(831)	7,355
Changes in equity for year					
Profit for the year	-	-	-	105	105
Total recognised income and expense for the year	**-**	**-**	**-**	**105**	**105**
Share based payment	-	-	-	96	96
Balance at 31 July 2009	**626**	**4,692**	**2,868**	**(630)**	**7,556**

The accompanying accounting policies and notes form part of these financial statements

Consolidated cash flow statement for the year ended 31 July 2009

	Note	2009 £000	2008 £000
Cash flows from operating activities			
Profit after taxation from continuing operations		**67**	445
Adjustments for:			
Share based payments	21	**96**	(3)
Depreciation	12	**576**	590
Exploration write-off		**297**	1
Loss on sale of non-current assets		**-**	2
Finance income	7	**(224)**	(12)
Finance expense	8	**248**	451
Taxation expense	9	**356**	1,609
Decrease in trade and other receivables		**187**	351
Decrease in inventories		**1**	20
Increase / (decrease) in trade and other payables		**34**	(190)
Cash generated from continuing operations		**1,638**	3,264
Loss after taxation from discontinued operations	6	**(47)**	(296)
Adjustment for:			
Depreciation including exploration and write offs		**-**	296
Cash used in discontinued operations		**(47)**	-
Income taxes paid		**(180)**	(322)
Net cash from operating activities		**1,411**	2,942
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(191)**	(1,438)
Purchase of intangible assets		**(930)**	(3,655)
Proceeds from sale of property, plant and equipment		**-**	23
Proceeds from sale of discontinued operations		**-**	1,000
Interest received		**-**	12
Net cash used in investing activities		**(1,121)**	(4,058)
Cash flows from financing activities			
Proceeds from issue of share capital		**-**	100
Underwriting fee		**-**	(5)
Proceeds from long-term borrowings		**1,000**	496
Repayment of borrowings		**(585)**	(452)
Interest paid		**(138)**	(144)
Net cash from / (used in) financing activities		**277**	(5)
Net increase /(decrease) in cash and cash equivalents		**567**	(1,121)
Exchange gain / (loss) on cash and cash equivalents		**160**	(47)
Cash and cash equivalents at beginning of year		**(1,019)**	149
Cash and cash equivalents at end of year		**(292)**	(1,019)

The accompanying accounting policies and notes form part of these financial statements.

Company cash flow statement for the year ended 31 July 2009

	Note	2009 £000	2008 £000
Cash flows from operating activities			
Profit / (loss) after taxation		**105**	(356)
Adjustments for:			
Share based payments		**86**	(11)
Depreciation	12	**34**	56
Loss on sale of non-current assets		**-**	1
Finance income		**(320)**	(132)
Finance expense		**94**	143
Taxation expense	9	**-**	205
Decrease in trade and other receivables		**23**	87
Increase / (decrease) in trade and other payables		**17**	(37)
Net cash generated from / (used in) operating activities		**39**	(44)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(12)**	(21)
Movement on loan to Group companies		**656**	(523)
Interest received		**-**	12
Net cash from / (used in) investing activities		**644**	(532)
Cash flows from financing activities			
Proceeds from issue of share capital		**-**	100
Underwriting fee		**-**	(5)
Proceeds from long-term borrowings		**-**	496
Repayment of borrowings		**(535)**	(12)
Interest paid		**(79)**	(76)
Net cash (used in) / from financing activities		**(614)**	503
Net increase /(decrease) in cash and cash equivalents		**69**	(73)
Exchange gain / (loss) on cash and cash equivalents		**97**	(42)
Cash and cash equivalents at beginning of year		**131**	246
Cash and cash equivalents at end of year		**297**	131

Notes to the financial statements

1 Accounting Policies

General information
Europa Oil & Gas (Holdings) plc is a company incorporated and domiciled in England and Wales with registered number 5217946. The address of the registered office is 11 The Chambers, Vineyard, Abingdon OX14 3PX. The company's administrative office is at the same address.

The nature of the company's operations and its principal activities are set out in the Operational review, the Financial review and the Directors' report.

The functional and presentational currency of the company is Sterling (UK£).

Basis of accounting
The consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the EU. The policies have not changed from the previous year.

The accounting policies that have been applied in the opening balance sheet have also been applied throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 July 2009.

Future changes in accounting standards
The IFRS financial information has been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period. The IASB and IFRIC have issued the following standards and interpretations:

There were no amendments to published standards and interpretations to existing standards effective in the year adopted by the Group.

Standards, interpretations and amendments to published standards effective in the year but which are not relevant to the Group:

		Effective date *(periods beginning on or after)*
• IFRIC 12	Service concession arrangements	1 Jan 2008
• IFRIC 14	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction	1 Jan 2008
• IFRIC 13	Customer loyalty programmes	1 Jul 2008
• IAS 39/IFRS7	Reclassification of financial instruments	1 Jul 2008
• IAS 39/IFRS7*	Reclassification of financial instruments – effective date and transition	1 Jul 2008

Standards, interpretations and amendments, which are effective for reporting periods beginning after the date of these financial statements:

		Effective date *(periods beginning on or after)*
• IFRIC 16	Hedges of a net investment in a foreign operation	1 Oct 2008
• IAS 1	Amendment - presentation of financial statements: a revised presentation	1 Jan 2009
• IAS 23	Amendment - borrowing costs	1 Jan 2009
• IAS 32 and 1	Amendments - puttable financial instruments and obligations arising on liquidation	1 Jan 2009
• IFRS 1*	First-time adoption of international accounting standards	1 Jan 2009
• IFRS 2	Amendment - share-based payment: vesting conditions and cancellations	1 Jan 2009

Notes to the financial statements (continued)

1 Accounting Policies (continued)

Future changes in accounting standards (continued)

Standards, Interpretations and amendments, which are effective for reporting periods beginning after the date of these financial statements (continued):

• IFRS 7*	Amendment – improving disclosures about financial instruments	1 Jan 2009
• IFRS 8	Operating segments	1 Jan 2009
• IFRS1 and IAS 27	Amendments – cost of an investment in a subsidiary, jointly controlled entity or associate	1 Jan 2009
• IFRIC 15	Agreements for the construction of real estate	1 Jan 2009
• IFRIC9 and IAS 39*	Amendments – embedded derivatives	30 Jun 2009
• IAS 27	Amendment - consolidated and separate financial statements	1 Jul 2009
• IAS 39	Amendment –recognition and measurement: eligible hedged items	1 Jul 2009
• IFRS 3	Revised - business combinations	1 Jul 2009
• IFRIC 17*	Distributions of non-cash assets to owners	1 Jul 2009
• IFRIC 18*	Transfers of assets from customers	1 Jul 2009
• IFRS 1*	Additional exemptions for first-time adopters	1 Jan 2010
• IFRS 2*	Amendment – group cash-settled share based payment transactions	1 Jan 2010

In addition the "improvements to IFRS's project" is ongoing, with most changes expected 1 Jan 2010.

Except for the adoption of IFRS 3 (Revised) and the adoption of IAS 23 the above standards, interpretations and amendments will not significantly affect the Group's results or financial position, although the adoption of IFRS 8 may affect note disclosures.

Items marked (*) had not yet been endorsed by the European Union at the date that these financial statements were approved and authorised for issue by the Board.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its material subsidiary undertakings drawn up to 31 July 2009. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Intra Group balances are eliminated on consolidation. Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group is engaged in oil and gas exploration, development and production through unincorporated joint arrangements. The Group accounts for its share of the results and net assets of these joint arrangements. In addition, where the Group acts as operator to the joint arrangement, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint arrangement are included in the consolidated balance sheet.

Restatement

The Group financial statements for the twelve months ended 31 July 2008 have been restated in accordance with IAS8 as a review of accounting treatment revealed errors in respect of transactions under the scope of IAS21 (para 32). The restatement affected the Company only and had the effect of moving £67,000 of exchange gain arising on the translation of foreign subsidiaries from the Forex reserve to the Company Income statement.

Notes to the financial statements (continued)

1 Accounting Policies (continued)

Going Concern
After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group can secure adequate resources to continue in operational existence for the foreseeable future. This is based on correspondence with the Group's bankers, the performance of its existing oil production, and the spread of its prospective resources.

Revenue Recognition
Revenue, excluding value added tax and similar taxes, represents net invoiced sales of the Group's share of oil and gas revenues in the year. Revenue is recognised at the end of each month based upon the quantity and price of oil and gas delivered to the customer.

Non-current assets
Oil and gas interests
The financial statements with regard to oil and gas exploration and appraisal expenditure have been prepared under the full cost basis. This accords with IFRS 6 which permits the continued application of a previously adopted accounting policy.

Pre-production assets
Pre-licence expenditure is expensed as directed by IFRS 6. Expenditure on licence acquisition costs, geological and geophysical costs, costs of drilling exploration, appraisal and development wells, and an appropriate share of overheads (including directors' costs) are capitalised and accumulated in cost pools on a geographical basis. These costs which relate to the exploration, appraisal and development of oil and gas interests are initially held as intangible non-current assets pending determination of commercial viability. On commencement of production these costs are transferred to Production assets.

Production assets
With the determination of commercial viability and approval of an oil and gas project the related pre-production assets are transferred from intangible non-current assets to tangible non-current assets and depreciated upon commencement of production within the appropriate cash generating unit.

Impairment tests
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level.

An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Property, plant and equipment
Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Notes to the financial statements (continued)

1 Accounting Policies (continued)

Non-current assets (continued)

Depreciation

All expenditure within each geographical cost pool is depreciated from the commencement of production, on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of proven plus probable commercial reserves at the end of the period, plus the production in the period. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs within each geographical cost pool. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Computer equipment, software, and furniture are depreciated on a 25% per annum straight line basis.

Leasehold properties are depreciated on a 2% per annum straight line basis.

Future decommissioning costs

A provision for decommissioning is recognised in full at the commencement of oil or gas production. A corresponding tangible non-current asset of an amount equivalent to the provision is also created. The amount recognised is the estimated cost of decommissioning, discounted to its net present value and is reassessed each year in accordance with local conditions and requirements. This asset is subsequently depreciated as part of the capital costs of production facilities within tangible non current assets, on a unit of production basis.

Changes in the estimates of commercial reserves or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the decommissioning asset. The unwinding of the discount on the decommissioning provision is included within interest expense.

Reserves

Proven and probable oil and gas reserves are estimated quantities of commercially producible hydrocarbons which the existing geological, geophysical and engineering data shows to be recoverable in future years. The proven reserves included herein conform to the definition approved by the Society of Petroleum Engineers (SPE) and the World Petroleum Congress (WPC). The probable and possible reserves conform to definitions of probable and possible approved by the SPE/WPC using the deterministic methodology. Reserves used in accounting estimates for depreciation are updated periodically to reflect management's view of reserves in conjunction with third party formal reports. Reserves are reviewed at the time of formal updates or as a consequence of operational performance, plans and the business environment at that time.

Reserves are adjusted, in the year that formal updates are undertaken or as a consequence of operational performance and plans, and the business environment at that time, with any resulting changes not applied retrospectively.

Taxation

Current tax is the tax payable based on taxable profit for the year.

Deferred income taxes are calculated using the balance sheet liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. Tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Notes to the financial statements (continued)

1 Accounting Policies (continued)

Taxation (continued)
Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary difference will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Foreign currency
The Group and Company prepare their financial statements in Sterling.

Transactions denominated in foreign currencies are translated at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the Income Statement in the period in which they arise. Exchange differences on non-monetary items are recognised in the Statement of Changes in Equity to the extent that they relate to a gain or loss on that non-monetary item taken to the Statement of Changes in Equity, otherwise such gains and losses are recognised in the Income Statement.

The monetary assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at monthly average rates providing there is no significant change in the month. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the "Forex reserve" in equity. On disposal of a foreign operation the cumulative translation differences are transferred to the income statement as part of the gain or loss on disposal.

Europa Oil and Gas (Holdings) plc is domiciled in the UK, which is its primary economic environment and the Company's functional currency is Sterling. The Group's current operations are based in the UK, Ukraine, Romania, France, Western Sahara and Egypt, and the functional currencies of the Group's entities are the prevailing local currencies in each jurisdiction. Given that the functional currency of the Company is Sterling, management has elected to continue to present the consolidated financial statements of the Group and Company in Sterling.

The Group has taken advantage of the exemption in IFRS 1 and has deemed cumulative translation differences for all foreign operations to be nil at the date of transition to IFRS. The gain or loss on disposal of these operations excludes translation differences that arose before the date of transition to IFRS and includes later translation differences.

Investments
Investments, which are only investments in subsidiaries, are carried at cost less any impairment.

Notes to the financial statements (continued)

1 Accounting Policies (continued)

Financial instruments

Financial assets and liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group and Company classifies its financial assets into loans and receivables, which comprise trade and other receivables and cash and cash equivalents. The Group has not classified any of its financial assets as held to maturity or available for sale or fair value through profit or loss.

Trade and other receivables are measured at fair value. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the Income statement.

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

The Group and Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The accounting policy for each category is as follows:

Fair value through profit or loss.
This category comprises only out-of-the-money derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the consolidated Income statement. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities.
Include the following items:

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

During the current or prior year the group did not have any finance leases.

Notes to the financial statements (continued)

1 Accounting Policies (continued)

Defined contribution pension schemes
The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

Inventories
Inventories comprise oil in tanks stated at the lower of cost and net realisable value.

Joint arrangements
Joint arrangements are those in which the Group holds an interest on a long term basis which are jointly controlled by the Group and one or more venturers under a contractual arrangement. When these arrangements do not constitute entities in their own right, the consolidated financial statements reflect the relevant proportion of costs, revenues, assets and liabilities applicable to the Group's interests in accordance with IAS 31. The Group's exploration, development and production activities are generally conducted jointly with other companies in this way.

Share-based payments
All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to reserves. Where options over the parent company's shares are granted to employees of subsidiaries of the parent, the charge is recognised in the income statement of the subsidiary. In the parent company accounts there is an increase in the cost of the investment in the subsidiary receiving the benefit.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if the number of share options ultimately exercised is different to that initially estimated.

Upon exercise of share options the proceeds received, net of attributable transaction costs, are credited to share capital, and where appropriate share premium.

Non-current assets held for sale and disposal groups
Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale
- management is committed to a plan to sell
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn
- an active programme to locate a buyer has been initiated
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification

Notes to the financial statements (continued)

1 Accounting Policies (continued)

Non-current assets held for sale and disposal groups (continued)

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed during the year are included in the consolidated income statement up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or its subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the income statement (including the comparative period) as a single line which comprises the post tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets/disposal groups constituting discontinued operations.

Critical accounting judgements and key sources of estimation uncertainty

Details of the Group's significant accounting judgements and critical accounting estimates are set out in these financial statements and include:

- Discontinued operations (Note 6)
- Carrying value of intangible assets (Note 11)
- Carrying value of property, plant and equipment (Note 12)
- Decommissioning provision (Note 19)
- Share-based payments (Note 21)
- Financial instruments (Note 22)

2 Business segment analysis

In the opinion of the directors the Group has one class of business, being oil and gas exploration development and production.

The Group's primary reporting format is determined to be the geographical segment according to the location of the oil and gas asset. There are currently 5 geographic reporting segments.

Notes to the financial statements (continued)

2 Business segment analysis (continued)

Segmental income statement for the year ended 31 July 2009

	UK	Romania	France	North Africa	Ukraine	Total
	£000	£000	£000	£000	£000	£000
Continuing operations						
Revenue	2,936	-	-	-	-	2,936
Other cost of sales	*(1,694)*	-	-	-	-	*(1,694)*
Exploration write-off	*(297)*	-	-	-	-	*(297)*
Cost of sales	(1,991)	-	-	-	-	(1,991)
Gross profit	**945**	-	-	-	-	**945**
Administrative expenses	(403)	(79)	-	(16)	-	(498)
Finance income	213	11	-	-	-	224
Finance costs	(232)	(16)	-	-	-	(248)
Profit / (loss) before tax	**523**	**(84)**	**-**	**(16)**	**-**	**423**
Taxation	(356)	-	-	-	-	(356)
Profit / (loss) for the year from continuing operations	**167**	**(84)**	**-**	**(16)**	**-**	**67**
Discontinued operations						
Loss for the year from discontinued operation	-	-	-	-	(47)	(47)
Profit/(loss) for the year	**167**	**(84)**	**-**	**(16)**	**(47)**	**20**

Segmental balance sheet as at 31 July 2009

	UK	Romania	France	North Africa	Ukraine	Total
	£000	£000	£000	£000	£000	£000
Segment assets	6,700	6,133	139	539	-	13,511
Cash and cash equivalents	-	4	-	-	-	4
Total assets	**6,700**	**6,137**	**139**	**539**	**-**	**13,515**
Segment liabilities	(3,444)	(172)	-	-	-	(3,616)
Current tax liabilities	(588)	-	-	-	-	(588)
Deferred tax liabilities	(2,651)	-	-	-	-	(2,651)
Total liabilities	**(6,683)**	**(172)**	**-**	**-**	**-**	**(6,855)**
Other segment items						
Capital expenditure	652	(227)	91	146	-	662
Depreciation	576	-	-	-	-	576
Share based payments	88	-	-	8	-	96

In Romania, a 2008 creditor balance was written off in 2009 causing a reduction in intangible assets

Notes to the financial statements (continued)

2 Business segment analysis (continued)

Segmental income statement for the year ended 31 July 2008

	UK	Romania	France	North Africa	Ukraine	Total
	£000	£000	£000	£000	£000	£000
Continuing operations						
Revenue	4,418	-	-	-	-	4,418
Other cost of sales	*(1,548)*	-	-	-	-	*(1,548)*
Exploration write-off	-	*(1)*	-	-	-	*(1)*
Cost of sales	(1,548)	(1)	-	-	-	(1,549)
Gross profit	**2,870**	**(1)**	**-**	**-**	**-**	**2,869**
Administrative expenses	(340)	(36)	-	-	-	(376)
Finance income	12	-	-	-	-	12
Finance costs	(240)	(211)	-	-	-	(451)
Profit / (loss) before tax	**2,302**	**(248)**	**-**	**-**	**-**	**2,054**
Taxation	(1,609)	-	-	-	-	(1,609)
Profit / (loss) for the year from continuing operations	**693**	**(248)**	**-**	**-**	**-**	**445**
Discontinued operations						
(Loss) for the year from discontinued operation	-	(251)	-	-	(45)	(296)
Profit / (loss) for the year	**693**	**(499)**	**-**	**-**	**(45)**	**149**

Segmental balance sheet as at 31 July 2008

	UK	Romania	France	North Africa	Ukraine	Total
	£000	£000	£000	£000	£000	£000
Segment assets	7,357	6,110	49	393	-	13,909
Cash and cash equivalents	-	3	-	-	-	3
Total assets	**7,357**	**6,113**	**49**	**393**	**-**	**13,912**
Segment liabilities	(3,629)	(1,031)	-	-	-	(4,660)
Current tax liabilities	(380)	-	-	-	-	(380)
Deferred tax liabilities	(2,701)	-	-	-	-	(2,701)
Total liabilities	**(6,710)**	**(1,031)**	**-**	**-**	**-**	**(7,741)**
Other segment items						
Capital expenditure	2,071	2,321	49	203	-	4,644
Depreciation	590	-	-	-	-	590
Share based payments	(5)	-	-	2	-	(3)

Notes to the financial statements (continued)

3 Profit for the year is stated after charging:

Profit from continuing operations:

	Note	2009 £000	2008 £000
Depreciation		**576**	590
Staff costs including directors	5	**716**	643
Exploration write-off		**297**	1
Fees payable to the auditor for the Company audit		**25**	22
Fees payable to the auditor for the audit of subsidiaries		**56**	48
Operating leases		**36**	32

The Company has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish its individual income statement and related notes. The profit dealt with in the financial statements of the parent company is £105,000 (2008 loss: £356,000)

4 Directors' emoluments

Directors' salaries, fees and employer's costs	2009 £000	2008 £000
C W Ahlefeldt-Laurvig	**19**	20
K E Ainsworth (to 22 January 2008)	**-**	46
P A Barrett (the highest paid director)	**137**	141
R J H M Corrie (from 22 January 2008)	**20**	11
P Greenhalgh (from 22 January 2008)	**124**	66
J M Y Oliver	**19**	20
E S Syba	**81**	83
	400	387
C W Ahlefeldt-Laurvig for service as petroleum engineer	**2**	22

Directors' pensions	2009 £000	2008 £000
K E Ainsworth (to 22 January 2008)	**-**	13
P A Barrett	**19**	19
P Greenhalgh (from 22 January 2008)	**16**	10
E S Syba	**11**	11
	46	53

The above charge represents premiums paid to money purchase pension plans during the year.

Directors' share based payments	2009 £000	2008 £000
K E Ainsworth (to 22 January 2008)	**-**	(17)
R J H M Corrie (from 22 January 2008)	**25**	6
P Greenhalgh (from 22 January 2008)	**61**	15
J M Y Oliver	**-**	2
	86	6

The above represents the accounting charge in respect of stock options with vesting periods during the year. No share options were exercised during the period (2008: none).

Notes to the financial statements (continued)

5 Employee information

Average number of employees including directors	2009 Number	2008 Number
Management and technical	**13**	11
Field exploration and production	**15**	16
	28	27

Total includes 15 (2008: 16) based in the Ukraine (reported as discontinued operations).

Staff costs	2009 £000	2008 £000
Wages and salaries	**384**	362
Social security and tax	**170**	212
Pensions	**66**	72
Share based payment	**96**	(3)
	716	643

Total staff costs for the Company were £552,000 (2008: £462,000)

6 Loss on disposal of investment and discontinued operations

	2009 £000	2008 £000
Ukraine costs	**47**	45
Loss on sale of Bilca gas field in Romania	**-**	251
	47	296

A letter of intent was signed between the company and a Swedish-listed oil and gas company in anticipation of an outright sale of the Ukraine assets. Costs relate to expenses incurred in progressing the completion of the sale which has required asset transfers from joint investment companies. The sale is expected to complete in the next few months.

In May 2007 agreement was reached with Aurelian Oil & Gas (Romania) SRL for the sale of Europa's interest in the Bilca gas field in Romania for £2 million. The sale was accounted for from the effective date of 31 March 2007 since from this date, all revenues and costs were received and paid for by Aurelian Oil & Gas (Romania) SRL. Additional Bilca costs were written off in Europa Oil & Gas SRL in 2008.

7 Finance income

	2009 £000	2008 £000
Bank interest receivable	**-**	12
Exchange rate gains	**224**	-
	224	12

Notes to the financial statements (continued)

8 Finance expense

	2009 £000	2008 £000
Bank interest payable	**88**	99
Loan interest payable	**19**	50
Interest on tax payment	**-**	15
Unwinding of discount on decommissioning provision	**79**	21
Exchange rate losses	**16**	257
Bank charges	**6**	4
Interest rate swap fair value charge (Note 22)	**40**	-
Underwriting fee	**-**	5
	248	451

9 Taxation

	2009 £000	2008 £000
Current tax charge / (credit)	**407**	756
Deferred tax (credit)/charge	**(51)**	853
	356	1,609

UK corporation tax is calculated at 30% (2008 - 30%) of the estimated assessable profit for the year. Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	2009 £000	2008 £000
Profit on ordinary activities per the accounts	**423**	2,054
Tax reconciliation		
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2008: 30%)	**127**	616
Expenses not deductible for tax purposes	**64**	272
Supplementary North Sea oil taxation	**175**	338
Adjustment re prior year	**(10)**	178
Deferred tax asset written off	**-**	205
Total tax charge	**356**	1,609

10 Earnings per share

Basic earnings per share (EPS) has been calculated on the profit after taxation divided by the weighted average number of shares in issue during the period. Diluted EPS uses an average number of shares adjusted to allow for the issue of shares, on the assumed conversion of all in the money options and warrants.

The company's average share price for the year to 31 July 2009 was lower than the exercise price of the share options in issue. Therefore the share options in issue have no dilutive effect and there is no difference between the basic and diluted earnings per share.

The company's average share price for the year to 31 July 2008 was 21p per share resulting in dilution of 778,990 shares.

Notes to the financial statements (continued)

10 Earnings per share (continued)

The calculation of the basic and diluted earnings/(loss) per share is based on the following:

	2009 £000	2008 £000
Earnings / (losses)		
Profit after tax from continuing operations	**67**	445
Loss after tax from discontinued operations	**(47)**	(296)
Profit after tax from continuing and discontinued operations	**20**	149
Weighted average number of shares		
for the purposes of basic eps	**62,563,730**	62,401,492
for the purposes of diluted eps	**62,563,730**	63,180,482

11 Intangible assets

	2009 £000	2008 £000
Cost		
At 1 August	**7,242**	4,514
Additions	**529**	2,728
At 31 July	**7,771**	7,242
Impairment		
At 1 August	**1**	-
Change for the year	**297**	1
At 31 July	**298**	1
Net book value		
At end of year	**7,473**	7,241
At start of year	**7,241**	4,514

Intangible assets comprise the Group's pre-production expenditure on licence interests as follows:

	2009 £000	2008 £000
Romania	**5,874**	6,110
Egypt	**434**	288
France	**139**	49
Western Sahara	**105**	105
UK PEDL 143 (Holmwood)	**177**	138
UK PEDL 150 (SW Lincoln)	**588**	252
UK PEDL 180/181 (NE Lincs)	**115**	31
UK PEDL 222	**41**	-
UK Continental Shelf	**-**	268
Total	**7,473**	7,241

In Romania, a 2008 creditor balance was written off in 2009 causing a reduction in intangible assets. Following reprocessing of seismic data in the current year it was decided to allow the licence over block P1545 to lapse and therefore write-off the entire value of the UK Continental Shelf resulting in an impairment charge of £297,000. Licence commitments are explained further in Note 23.

Notes to the financial statements (continued)

12 Property, plant and equipment

Property, plant & equipment - Group

	Furniture & computers £000	Leasehold building £000	Producing fields £000	Total £000
Cost				
At 1 August 2007	7	437	6,404	6,848
Additions	22	-	1,894	1,916
Disposals	(2)	-	(1,085)	(1,087)
At 31 July 2008	27	437	7,213	7,677
Additions	**12**	**-**	**122**	**134**
At 31 July 2009	**39**	**437**	**7,335**	**7,811**
Depreciation and depletion				
At 1 August 2007	3	-	2,152	2,155
Charge for year	4	52	534	590
Disposals	(1)	-	(1,063)	(1,064)
At 31 July 2008	6	52	1,623	1,681
Charge for year	**9**	**25**	**542**	**576**
At 31 July 2009	**15**	**77**	**2,165**	**2,257**
Net Book Value				
At 31 July 2009	**24**	**360**	**5,170**	**5,554**
At 31 July 2008	21	385	5,590	5,996
At 31 July 2007	4	437	4,252	4,693

The producing fields referred to in the table above are the production assets of the Group, namely the oilfields at Crosby Warren and West Firsby; and the Group's share in the Whisby W4 well.

The carrying value of the Crosby Warren oilfield has been tested for impairment. No impairment has been recorded because the carrying value of the asset was lower than the asset's value under a value-in-use calculation, which was based on the expected outcome of the production enhancement programme using a 10% discount rate. Further details of the production enhancement programme are described in the Operational review. If this work is unsuccessful then a write down in the value of this asset will be required.

In the 2008 Annual report and accounts, certain fully written down assets which had been disposed were incorrectly recorded. As a result, cost and depreciation of producing fields at 1 August 2008 were overstated by £443,000. Figures for 2008 are restated, corrected for these mis-statements. Net book value at 31 July 2008 is unchanged.

Notes to the financial statements (continued)

12 Property, plant and equipment (continued)

Property, plant and equipment - Company

	Furniture & computers £000	Leasehold building £000	Total £000
Cost			
At 1 August 2007	7	437	444
Additions	22	-	22
Disposal	(2)	-	(2)
At 31 July 2008	27	437	464
Additions	**12**	**-**	**12**
At 31 July 2009	**39**	**437**	**476**
Depreciation			
At 1 August 2007	3	-	3
Charge for the year	4	52	56
Disposals	(1)	-	(1)
At 1 August 2008	6	52	58
Charge for year	**9**	**25**	**34**
At 31 July 2009	**15**	**77**	**92**
Net Book Value			
At 31 July 2009	**24**	**360**	**384**
At 31 July 2008	21	385	406
At 31 July 2007	4	437	441

The leasehold building was depreciated at 2% (2008: 2%). An impairment of £17,000 (2008: £43,000) was recorded to reflect loss in market value of the property in the year. The loss in value was assessed by an expert familiar with the local property market and was charged to administrative expenses in the Income Statement. The loan of £292,000 (2008: £316,000) described in Note 17 is secured against this property.

13 Investments - Company

Investment in subsidiaries	**2009 £000**	**2008 £000**
At 1 August	**3,303**	3,295
Current year additions	**9**	8
31 July	**3,312**	3,303

The Company's investments at the balance sheet date in the share capital of unlisted companies include 100% of Europa Oil & Gas Limited, registered in England and Wales (this company undertakes oil and gas exploration, development and production) and 100% of Europa Oil & Gas (West Firsby) Limited, also registered in England and Wales (this company is non-trading).

Notes to the financial statements (continued)

13 Investments – Company (continued)

The results of both of these companies have been included in the consolidated accounts. Europa Oil & Gas Limited owns 100% of the ordinary share capital of each of: Europa Oil & Gas SRL registered in Romania; Europa Nafta & Gas Ukraine registered in Ukraine and Malopolska Oil & Gas Company Sp.z.o.o., registered in Poland. The result of the Polish company has not been consolidated on the grounds that it is not material to the Group.

Additions to the cost of investments represents the value of options over the shares of the Company issued to employees of subsidiary companies.

14 Inventories - Group

	2009 £000	2008 £000
Oil in tanks	**15**	16

15 Trade and other receivables

	Group		Company	
	2009	**2008**	**2009**	**2008**
Current trade and other receivables	**£000**	**£000**	**£000**	**£000**
Trade receivables	**164**	341	**-**	-
Other receivables	**220**	251	**2**	8
Prepayments	**85**	64	**17**	18
	469	656	**19**	26
Non current other receivables				
Owed by Group undertakings	**-**	-	**3,976**	4,464

Group other receivables includes a VAT debtor in Romania. Loans to subsidiaries are interest free, have no fixed repayment date and are repayable on demand.

16 Trade and other payables

	Group		Company	
	2009 £000	**2008 £000**	**2009 £000**	**2008 £000**
Trade payables	**455**	1,105	**62**	62
Other payables	**381**	550	**-**	-
Accruals	**64**	97	**38**	71
	900	1,752	**100**	133
Interest rate swap	**40**	-	**40**	-

Group other payables includes advances received from partners on projects in UK and Egypt. More information on the interest rate swap is included in Note 22.

17 Borrowings

On 1 May 2009 the Company agreed a £1 million uncommitted multi-option facility and a £1million term loan with its bankers. This replaced a £2 million multi option facility which was being renegotiated at the previous year end.

The multi-option facility can be utilised in either Sterling or foreign currency via an overdraft or the issue of bonds, guarantees, indemnities or letters of credit. At 31 July 2009 this facility was drawn to £297,000 (2008: £1,022,000) and one guarantee for £475,000 (2008: £581,000) was outstanding. The facility is available until 30 April 2010. The term loan is repayable in 10 quarterly installments. At 31 July 2009 it was drawn to £950,000 of which £450,000 was classified as short term.

Notes to the financial statements (continued)

17 Borrowings (continued)

On 12 March 2008, the Sherborne Trust, a discretionary trust of which C W Ahlefeldt-Laurvig was a beneficiary, provided a €650,000 (£512,000) loan to the Company. On 2 April 2008 the Trust assigned the loan to C W and Mrs M Ahlefeldt-Laurvig. The loan, plus €32,000 (£25,000) of accrued interest remained outstanding at 31 July 2008 but was fully repaid in August 2008.

A loan of £292,000 (2008: £316,000) secured against the Abingdon property is repayable over 13 years.

	Group		Company	
Loans repayable in less than 1 year	**2009**	**2008**	**2009**	**2008**
	£000	**£000**	**£000**	**£000**
Multi-option facility	**297**	1,022	**-**	-
Term loan	**450**	-	**-**	-
Related party loan	**-**	512	**-**	512
Property loan	**20**	14	**20**	14
Total short term borrowing	**767**	1,548	**20**	526
Loans repayable in 1 to 2 years				
Term loan	**400**	-	**-**	-
Property loan	**21**	15	**21**	15
Total loans repayable in 1 to 2 years	**421**	15	**21**	15
Loans repayable in 2 to 5 years				
Term loan	**100**	-	**-**	-
Property loan	**65**	52	**65**	52
Total loans repayable in 2 to 5 years	**165**	52	**65**	52
Loans repayable after 5 years				
Property loan	**186**	235	**186**	235
Total loans repayable after 5 years	**186**	235	**186**	235
Total long term borrowing	**772**	302	**272**	302

18 Deferred Tax - Group

Recognised deferred tax liability:	**2009**	**2008**
	£000	**£000**
As at 1 August	**2,701**	1,847
(Credited)/charged to income statement	**(50)**	854
At 31 July	**2,651**	2,701

The Group has a net deferred tax liability of £2,651,000 (2008: £2,701,000) arising from accelerated capital allowances.

Unrecognised deferred tax asset:	**2009**	**2008**
	£000	**£000**
Accelerated capital allowances	**(1,194)**	(1,162)
Trading losses	**1,845**	1,859
Net deferred tax asset	**651**	697

Notes to the financial statements (continued)

18 Deferred Tax – Group (continued)

The Group has a net deferred tax asset of £651,000 (2008: £697,000), in relation to mainly overseas trading losses, that has not been recognised in the accounts as the transfer of economic benefits is uncertain.

19 Long term provision - Group

	2009 £000	2008 £000
As at 1 August	**1,058**	438
Charged to income statement	**79**	21
Added to tangible non current assets	**-**	599
At 31 July	**1,137**	1,058

A provision for decommissioning is recognised in full at the commencement of production. A corresponding tangible non current asset of an amount equivalent to the provision is also created. The amount recognised is the estimated cost of decommissioning, discounted to its net present value. The tangible non current asset is depreciated as part of the capital cost of production facilities on a unit of production basis.

Decommissioning provisions are based on third party estimates of work which will be required and the judgement of directors. By its nature, the detailed scope of work required and timing is uncertain. No decommissioning is anticipated before 2022.

20 Called up share capital

	2009 £000	2008 £000
Authorised		
150,000,000 ordinary shares of 1p each	**1,500**	1,500
Allotted, called up and fully paid		
62,563,730 ordinary shares of 1p each (2008: 62,563,730)	**626**	626

All the authorised and allotted shares are of the same class and rank pari passu.

On 1 June 2006 the Company entered into an agreement with the Headstart Group of funds under which a share finance facility of up to £1.5 million was made available. The facility could be drawn down in monthly increments of up to £100,000 in exchange for the issue of new ordinary shares. During the year the Company made no draw downs from the facility (2008: one draw down of £100,000). The facility terminated on 1 December 2008. In 2006 Europa issued 300,000 warrants to Headstart granting the right to subscribe for ordinary shares at 31.20p per share. These warrants expired on 31 May 2009.

In 2005, the Company issued 39,999,998 ordinary shares of 1p at a nil premium in exchange for the entire shareholding of Europa Oil & Gas Limited. This gave rise to the merger reserve at 31 July 2009 of £2,868,000 (2008: £2,868,000).

Note 26 describes a further issue of share capital which occurred in September 2009.

The following describes the purpose of each reserve within owners' equity:

Reserve	**Description and purpose**
Share premium	Amount subscribed for share capital in excess of nominal value
Merger reserve	Reserve created on issue of shares on acquisition of subsidiaries in prior years
Forex reserve	Reserve arising on translation of foreign subsidiaries
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.

Notes to the financial statements (continued)

21 Share based payments

There are 3,550,000 ordinary share options of 1p outstanding (2008: 3,750,000). These are held by certain members of the Board, (R J H M Corrie 500,000; P Greenhalgh 1,250,000; and J M Y Oliver 200,000) management and employees of the Group (400,000) and advisers at the time of the 2004 AIM flotation (1,200,000).

Of the 3,550,000 options, 1,200,000 granted on 11 November 2004 the date of admission to AIM are exercisable at any time up to 11 November 2009.

The remaining 2,350,000 options are exercisable: one third 18 months after grant; a further third 30 months after grant and the balance 42 months after grant. There are no further vesting conditions. The latest date at which these can be exercised is the 10th anniversary from the date of award. No options were granted or exercised, and 200,000 expired during the year. The fair value of the various options was determined using a Black Scholes Merton model, and the inputs used to determine these values are detailed in the table below:

Grant date	**11 November 2004**	**1 December 2006**	**8 May 2008**	**8 May 2008**
Number of options	1,560,000	80,000	1,750,000	160,000
Share price at grant	32.5p	21.5p	21.5p	21.5p
Exercise price	25p	25p	20p	18.75p
Volatility	40%	50%	50%	50%
Dividend yield	nil	nil	nil	nil
Risk free investment rate	4.80%	4.90%	4.42%	4.42%
Option life (years)	6.25	6.25	6	6
Fair value per share	16.76p	10.16p	10.96p	11.31p

Volatility for the shares granted on 11 November 2004 was based on the company's share price volatility in the first year of flotation on the AIM market. Volatility for subsequent grants has been based on the company's share price volatility since flotation.

Based on the above fair values the charge arising from the forfeit and grant of employee share options was £96,000 (2008: credit £3,000 due to the forfeit of unvested options).

	2009 Number of options	**2009 Average exercise price**	**2008 Number of options**	**2008 Average exercise price**
Outstanding at the start of the year	3,750,000	25p	2,460,000	25p
Granted	-	19.9p	1,910,000	19.9p
Forfeited	-	25p	(620,000)	25p
Expired	(200,000)	-	-	-
Outstanding at the end of the year	3,550,000	22.25p	3,750,000	22.4p
Exercisable at the end of the year	1,613,334	25p	1,786,667	25p

No options were exercised in the year (2008: nil).

Notes to the financial statements (continued)

22 Financial instruments

The Group's and Company's financial instruments comprise cash, bank borrowings, loans, interest rate derivatives, cash, and items such as receivables and payables which arise directly from its operations. Europa's activities are subject to a range of financial risks the main ones being credit, liquidity, interest rates, commodity prices, foreign exchange and capital. These risks are managed through ongoing review taking into account the operational, business and economic circumstances at that time.

Credit risk

The Group is exposed to credit risk as all crude oil production is sold to one multinational oil company. The customer is invoiced monthly for the oil delivered to the refinery in the previous month and invoices are settled in full on the 15th of the following month. At 31 July 2009 trade receivables were £164,000 (2008: £341,000) representing one month of oil revenue (2008: one month). The fair value of trade receivables and payables approximates to their carrying value because of their short maturity. Any surplus cash is held on deposit with Royal Bank of Scotland. The maximum credit exposure in the year was £400,000 (2008: £550,000).

The Company exposure to credit risk is negligible.

Liquidity risk

Though the Group has the benefit of a regular revenue stream, there is still a need for bank financing. On 1 May 2009 the Company agreed a £1 million uncommitted multi-option facility and a £1million term loan with its bankers. The multi-option facility can be utilised in either Sterling or foreign currency via an overdraft or the issue of bonds, guarantees, indemnities or letters of credit. The term loan is repayable in 10 quarterly installments.

Included within short term borrowings is an overdraft of £297,000 (2008: £1,022,000) which has been utilised under the multi-option facility. An amount of £950,000 is owed at 31 July 2009 on the term loan.

The Group and Company monitor their levels of working capital to ensure it can meet liabilities as they fall due. The following table shows the contractual maturities of the Group's financial liabilities, all of which are measured at amortised cost.

At 31 July 2009	Trade and other payables £000	Short term borrowings £000	Long term borrowings £000
6 months or less	644	554	-
6-12 months	296	213	-
1-2 years	-	-	421
2-5 years	-	-	165
Over 5 years	-	-	186
Total	940	767	772
At 31 July 2008			
6 months or less	928	1,541	-
6-12 months	824	7	-
1-2 years	-	-	15
2-5 years	-	-	52
Over 5 years	-	-	235
Total	1,752	1,548	302

Trade and other payables do not normally incur interest charges. Borrowings bear interest at variable rates, except for the property loan of £292,000 (2008: 316,000) which was swapped for a fixed rate of interest.

Notes to the financial statements (continued)

22 Financial instruments (continued)

Interest rate risk

The Group has interest bearing liabilities as described in Note 17. The £1 million multi-option facility and £1 million term loan are secured over the assets of Europa Oil & Gas (Holdings) plc and Europa Oil & Gas Limited. Interest is charged on the multi-option facility at base rate plus 3% (2008: base plus 2%) and on the term loan at libor plus 3.25%.

A loan of £292,000 (2008: £316,000) is secured over a long lease property and is repayable over 13 years. At the time of the purchase of the property in 2007, the Company considered it prudent to enter into an interest rate swap which fixed the interest rate for the life of the loan (until May 2022) at 7.02%. The fair value of the swap at 31 July was £40,000 (2008: nil) and this has been recorded as a current liability of the Company. The table below shows the sensitivity of the swap to changes in interest rates. There would be a corresponding charge or credit to the income statement.

Long term forward Sterling base rate	Fair value of swap £000
1%	71
3%	40
5%	11

Commodity price risk

The selling price of the Group's production of crude oil is set at a small discount to Brent prices. The year saw massive volatility in oil prices and this has a direct impact on the Group's revenue and profitability. The table below shows the range of prices achieved in the year and the sensitivity of the Group's Profit / (Loss) Before Taxation (PBT) to such an extreme movement in oil price. There would be a corresponding increase or decrease to net assets. There is no commodity price risk in the Company.

Oil price	Month	Price $/bbl	PBT £000
Highest achieved	August 2008	$111.28	2,720
Average		$62.30	423
Lowest achieved	December 2008	$39.35	(663)

Foreign exchange risk

The Group's production of crude oil is invoiced in US Dollars. Revenue is translated into Sterling using a monthly exchange rate set by reference to the market rate. The table below shows the range of average monthly US Dollar exchange rates used in the year and the sensitivity of the Group's PBT to similar movements in US Dollar exchange. There would be a corresponding increase or decrease to net assets.

US Dollar	Month	Rate $/£	PBT £000
Highest rate	August 2008	$1.9355	(11)
Average		$1.6533	423
Lowest rate	March 2009	$1.4331	867

The table below shows the Group's currency exposures. Exposures comprise the net financial assets and liabilities of the Group that are not denominated in the functional currency.

Currency	2009 £000	2008 £000
Euro	**(42)**	(1,445)
US Dollar	**915**	485
Total	**873**	(960)

Notes to the financial statements (continued)

22 Financial instruments (continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital. The Group defines capital as being the consolidated shareholder equity and bank borrowings. The Board monitors the level of capital as compared to the Group's long term debt commitments and adjusts the ratio of debt to capital as is determined to be necessary, by issuing new shares, reducing or increasing debt, paying dividends and returning capital to shareholders. The Group is not subject to any externally imposed capital requirements.

23 Capital commitments and guarantees

As at the 31 July 2009 the Group had contractual commitments to drill 2 wells in the UK, 3 wells in Romania and to acquire seismic in the UK and Egypt.

We estimate that our share of costs for these wells and other exploration activities over the next 3 years is approximately £4.4 million. This commitment is expected to be met from cash generated from production and borrowings referred to in Note 17.

As at the 31 July 2009 the Company has a financial guarantee in place for £475,000 (2008: £581,000) in favour of the Egyptian General Petroleum Corporation (EGPC) in relation to the licence concession in Egypt. This financial guarantee is held by the EGPC to ensure that an agreed work programme for a minimum of the same value is undertaken by Europa. The guarantee has been provided by utilising part of the £1 million multi-option facility referred to in Note 17. A cash sum of £190,000 has been provided to Europa by our joint venture partner in the project representing their share of the guarantee.

In the Western Sahara a further £3 million is committed pending a resolution of the political situation in the country.

24 Operating lease commitments

Europa Oil & Gas Limited pays an annual site rental for the land upon which the West Firsby and Crosby Warren oil field facilities are located. The West Firsby lease runs until September 2022 and can be determined upon giving 2 months notice. The annual cost is currently £16,000 and increases in line with the retail price index. The Crosby Warren lease is until December 2022 and can be determined on 3 months notice. The annual cost is currently £20,000 and is reviewed every 5 years, the next review being in 2010.

25 Related party transactions

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. In the opinion of the Board, the Group's and the Company's key management are the directors of Europa Oil & Gas (Holdings) plc. Information regarding their compensation is given in Note 4.

During the year, C W Ahlefeldt-Laurvig provided services as a petroleum engineer on a consultancy basis at a total cost of £2,000 (2008: £22,000). It is anticipated that these services will continue in the next financial year. At 31 July 2009 the Company owed C W Ahlefeldt-Laurvig £nil (2008: £25,000) in respect of directors fees and his services as a petroleum engineer.

On 12 March 2008, the Sherborne Trust, a discretionary trust of which C W Ahlefeldt-Laurvig was a beneficiary, provided a £512,000 loan to the Company. On 2 April 2008 the Trust assigned the loan to C W and Mrs M Ahlefeldt-Laurvig. The loan, plus £25,000 of accrued interest remained outstanding at 31 July 2008 but was fully repaid in August 2008.

Notes to the financial statements (continued)

25 Related party transactions (continued)

During the year, the Company provided services to subsidiary companies as follows:

	2009 £000	2008 £000
Europa Oil & Gas Limited	**677**	585
Europa Oil & Gas SRL	**38**	75
Total	**715**	660

At the end of the year the Company was owed the following amounts by subsidiaries:

	2009 £000	2008 £000
Europa Oil & Gas Limited	**2,735**	3,454
Europa Oil & Gas SRL	**1,241**	1,010
Total	**3,976**	4,464

26 Post balance sheet events

On 19 August 2009 following analysis of the test results from Lilieci-1, the directors decided not to participate in the development of the well in Bacau, Romania on commercial grounds.

The Voitinel-1 well in Brodina, Romania spudded on 21 August and reached TD on 19 September. Though the main target did not contain hydrocarbons, gas shows in a secondary target at a shallower depth warranted testing. The test is currently in progress. Initial results are promising, with the first test flowing at a rate of 1.6 mmscfpd. The Operator will report when the tests are completed at the end of October. As Europa considers its Romanian assets in one cost pool, there is no impairment resulting from the Voitinel well.

On 10 September the Company issued 12,500,000 shares at 14p and raised £1.7 million. The new shares were placed with new and existing investors by Seymour Pierce Limited. They represent 16.6% of the Company's enlarged share capital.

On 24 September Europa signed a contract with British Drilling and Freezing (BDF) to drill the main section of Hykeham-1. It is anticipated that the well will commence drilling in late 2009. The target is at a depth of around 1000m and the well is anticipated to take 15-20 days to drill.

Work continues towards completing the sale of the Ukrainian subsidiary.