Europa Oil & Gas

Europa Oil & Gas (Holdings) plc

Annual Report and Accounts
for the year ended 31 July 2011

Stock Code: EOG

Exploration Discovery Production

Welcome to Europa Oil & Gas

Europa Oil & Gas (Holdings) plc is an exploration and production company focused on Europe and North Africa. We have core producing assets in the UK together with a portfolio of exploration and appraisal projects in the UK, Ireland, France, Romania and Western Sahara.

Our Mission

To be an upper quartile AIM-listed exploration and production company. Our business will be built on three foundations: clear strategy, rigorous process to ensure commercial and technical excellence and sound portfolio and risk management.

Our Strategy

To maintain and augment our existing production. Actively progress the existing project portfolio and implement drill, drop, divest decisions. Continuously replenish the portfolio to create a balanced combination of projects that will deliver consistent value.

For further information go to
www.europaoil.com

Contents

Highlights

Operational highlights

- Drilled West Firsby-9 and Barchiz-1 wells
- Assumed operatorship of Brates concession
- Remapped Berenx structure using controlled beam migration processed 3D seismic
- Gained interest in PEDL182 containing the Broughton prospect through deal with Egdon & Celtique
- Participated in seismic acquisition in 3 Romanian concessions

Financial performance

- Revenue of £3.8m (2010: £3.1m)
- Pre-tax profit from continuing operations £0.3m (2010: loss of £1.7m)
- Net cash £1.9m (2010: debt of £0.5m)

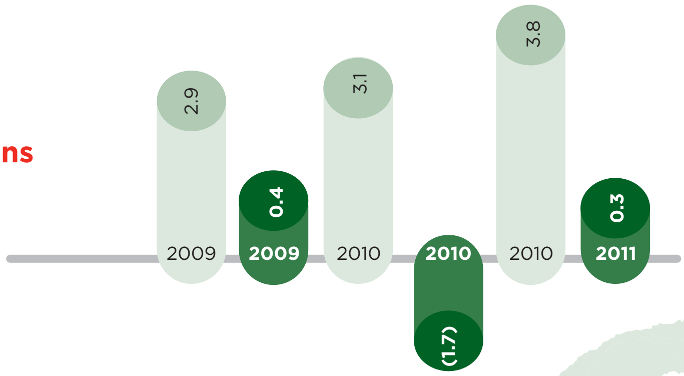
Post reporting date events

- HGD Mackay was appointed as a director on 6 September 2011, and as CEO 10 October 2011
- Horodnic-1 well spudded on 11 October 2011
- Award of two licensing options over acreage in the 2011 Irish Atlantic Margin Round 17 October 2011
- PA Barrett resigned as a director effective 21 October 2011

Continuing Operations

£m

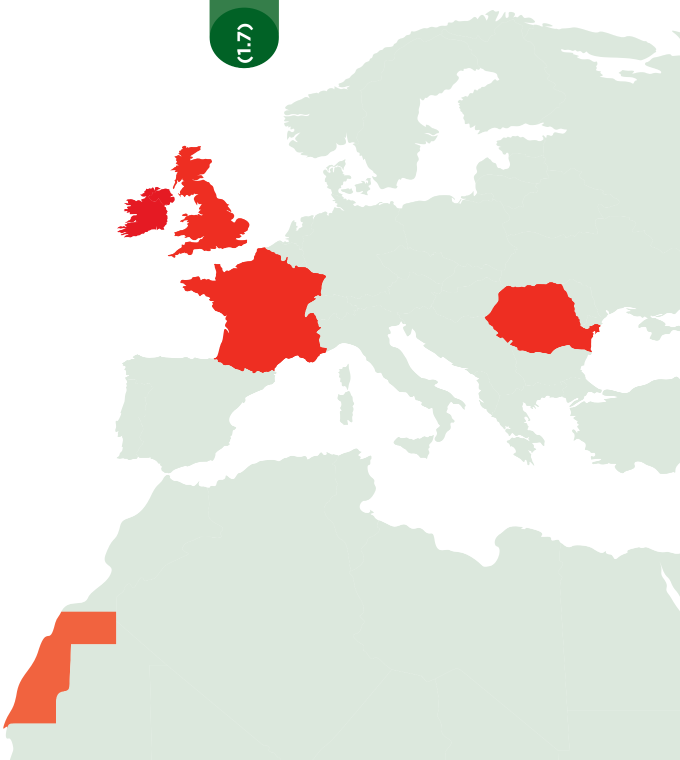
- Revenue
- Pre-tax profit/(loss)



Regions of Operation

Europa has operations in 5 geographic regions

UK, France, Romania, Western Sahara and most recently Ireland



Europa Oil & Gas At a Glance

Europa's strategy is to develop a wide range of assets — from high impact exploration through to production, within the EU. Current core areas are the UK, France and Romania.

exploration

Europa operates from headquarters near Oxford, UK. The Company has an excellent safety and environmental record.

Operational activity
Europa is engaged in production, appraisal and exploration projects. We have expertise in production, but future value will be driven by exploration success.

20 Licence interests

14 As operator

3 Appraisal projects

In partnership
Europa Oil & Gas work in partnership with leading providers of operational expertise and industry leaders with access to unexploited reserves of oil and gas. Partner organisations, working on an equity split, include **Aurelian, Romgaz, Egdon, Celtique, Raffles and Blackland Park**.

"Europa's core area assets in the UK, France and Romania are transforming the company"

CASE STUDY

The Carpathian Voitinel Discovery

The 2009 Voitinel-1 exploration well encountered gas in two sandstone intervals at around 1,400m and 1,650m depth. The deeper of these tested dry gas at flow rates of 3 mmscfpd.

Sub-surface material	Sandstone
Operator	Aurelian
Licence	EIII-1 Brodina
Equity	28.75%

Appraisal

A first appraisal well Horodnic-1 is currently drilling.

production

Europa holds a varied asset portfolio across four EU jurisdictions and in the Western Sahara. These range from oil producing assets, through exciting discoveries at the appraisal stage to exploration projects in established oil and gas plays:

Country	Area	Licence	Field/ Prospect	Operator	Equity	Status
UK	East Midlands	DL003	West Firsby	Europa	100%	Production
		DL001	Crosby Warren	Europa	100%	Production
		PL199/215	Whisby-4	BPEL	65%	Production
		PEDL150	Hykeham/West Whisby	Europa	75%	Exploration
		PEDL180	Wressle	Egdon	33%	Exploration
		PEDL181	Caister	Europa	50%	Exploration
		PEDL182	Broughton	Egdon	33%	Exploration
	Weald	PEDL143	Holmwood	Europa	40%	Exploration
	North Sea	Holderness	Offshore UCG	Europa	90%	Exploration
		Humber South	Offshore UCG	Europa	90%	Exploration
Ireland	Porcupine	LO-11-7	Western margin	Europa	100%	Exploration
		LO-11-8	Eastern margin	Europa	100%	Exploration
France	Aquitaine	Béarn des Gaves	Berenx	Europa	100%	Exploration Appraisal
		Tarbes val d'Adour	Osmets/Jacque	Europa	100%	Exploration Appraisal
Romania	Carpathians	EIII-1 Brodina	Voitinel/ Horodnic/Solca	Aurelian	28.75%	Exploration Appraisal
		EIII-3 Cuejdiu		Aurelian	17.50%	Exploration
		EIII-4 Bacau		Raffles	19%	Exploration
		EPI-3 Brates	Barchiz deepening	Europa	100%	Exploration
Western Sahara	Tindouf	Bir Lehlou		Europa	100%	Exploration
	Aaiun	Hagounia		Europa	100%	Exploration

discovery

Chairman's Statement

Europa's solid portfolio has much to offer — continued production, undeveloped discoveries, quality exploration prospects and the prospect of unconventional hydrocarbons.

Delivering on our objectives

— Wells in UK and Romania

— Seismic in France and Romania

— Award of new licences

— Potential to develop unconventional gas resources

Dear Shareholders,

The Company has been active in all of its core areas during the year. Activities concentrated around development drilling in the UK, exploration drilling in Romania and planning seismic work in France designed to drive a high impact future drilling campaign. Compared with the prior period, financial performance improved in terms of revenue, profitability and cash. The appointment of finnCap as broker and nomad at the start of the year assisted the Directors in raising a total of £5.9m of equity. The last of these fundraisings took place in June 2011, during a period of difficult market conditions. The availability of less cash than anticipated led to a decision to put the SEDA and SEDA backed loan in place to give the directors more flexibility going forward.

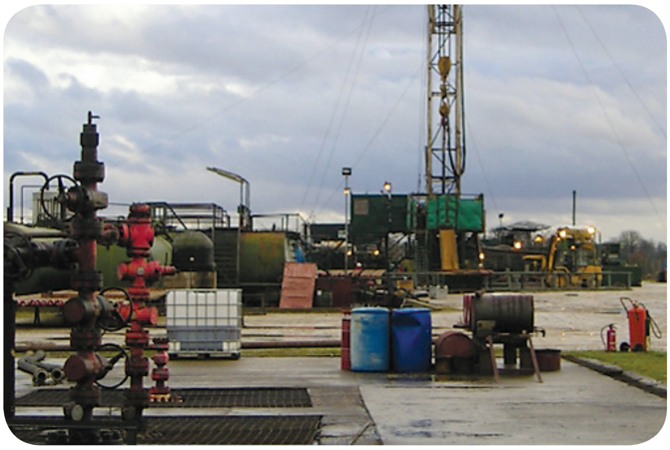
In the UK the drilling of WF9 was completed in February 2011 and we have spent considerable time and effort in determining the optimum production scheme for the well. Despite an excellent result in terms of well placement, reservoir quality and thickness, to date the well has underperformed in terms of production and has now settled at a level of 30 bopd. Remedial well work also took place at the same time, rehabilitating WF7 and completing WF3 as a water injector, providing the necessary water disposal capability for future production operations.

At Crosby Warren we had included a repeat frac of CW1 in our work plans. However, a significant increase in the projected cost of the work as well as adverse tax changes have led the board to ask for a review of the commerciality of the project and a decision will be taken following that review on whether to proceed.

The local authority planning committee decision to refuse permission to drill an exploration well at Holmwood was in contrast to the planning officer's support for the project. We have decided, along with our partners, to appeal the decision and are confident that our arguments will be looked at favourably by the appointed inspector.

The exploration well on the Barchiz oil prospect in Romania was spudded in October 2010. For technical reasons it failed to reach its original target although encouragingly, oil was present in a shallow reservoir. The operator MND has since elected to withdraw from the licence. We currently have a 100% working interest and are discussing with prospective partners the programme of deepening the well to reach the original target.

In the Romanian concession at Brodina, the Voitinel discovery is being appraised by the drilling of a well, Horodnic-1, which spudded on 11 October 2011. This is an important well and a good test will confirm the commercial viability of the discovery.



Pictured: Production in the UK; drilling operations in Romania.

During the period, we participated in the 2011 Irish Atlantic Margin Licensing Round and on 17 October 2011 were awarded two Licensing Options covering approximately 2,000km^2 of the Porcupine Basin. Previous drilling in the basin led to the discovery of Connemara, Spanish Point and Burren oil and gas fields, thus proving a viable petroleum system. The focus is now on the potential for large stratigraphic traps similar to those that have been highly successful elsewhere along the Atlantic Margins. Consequently, we are excited by this award and are looking forward to developing drillable prospects in these areas.

In September 2011 we were advised that Romanian VAT had been assessed on a previous transaction. The cash involved is £0.6 million consisting of principal and interest. The judgement was contradictory to the strong expert opinion that we had received from KPMG and we will be reviewing the further options open to us.

In France we are in the process of securing licence extensions with the regulatory authority in order to execute our ambitious plan to explore in two areas over the next 18 months. The directors are considering funding options for the various exploration activities in France and Romania.

More detail about the exploration activities of the Company can be found in the Operational review.

In April 2011 Paul Barrett notified the Company of his resignation. He is a co-founder of Europa and has been instrumental in assembling the assets that we have today. On behalf of the board I would like to thank him for his efforts and to wish him well in his future ventures.

On 10 October 2011, Hugh Mackay was appointed as Chief Executive Officer. He comes to Europa with an impressive background in oil and minerals and I believe he will provide the impetus to create value through the development of our existing assets and making additions to the Europa portfolio.

It is worth mentioning here the recent changes to the oil and gas landscape, notably in the US, but now also in Europe. Europa's portfolio has been built up over many years on the basis of conventional oil and gas potential, though it is clear that areas prone to conventional hydrocarbons generally have potential for unconventionals too. Recent activity in the UK, where Cuadrilla have assessed the potential for up to 200 tcf of gas in their Namurian shale acreage in Northern England, has highlighted the huge potential for this resource. Europa's Humber Basin acreage, situated in a similar Namurian rift basin to Cuadrilla's acreage, is a prime example of where unconventional potential could be a significant adjunct to conventional hydrocarbons. Consequently, Europa will be monitoring the progress of shale gas developments very closely.

Europa's solid portfolio has much to offer – continued production, undeveloped discoveries, quality exploration prospects and the prospect of unconventional hydrocarbons.

WH Adamson
Chairman

Operational Review

Across the five jurisdictions where Europa operates there remains a strong asset inventory waiting to be unlocked.

Europa's business comprises three core strands: production, appraisal and exploration and these activities take place in three European jurisdictions: UK, France and Romania and one in the North African territory of Western Sahara. In October 2011, Europa was additionally awarded acreage in a fourth EU jurisdiction in the Irish Atlantic Margin Licensing Round.

During the financial year to 31 July 2011, Europa drilled an oil production well at West Firsby (WF9) and participated in an exploration well at Barchiz, in Romania. The Company also participated in seismic programmes in Romania to pave the way for drilling in late 2011 and into 2012.

The WF9 well was completed in February 2011 and put on production. It has since contributed to an average daily production increase on the site of 40% from the first to second half of the reporting period. Production operations continue at Europa's two other UK sites, combining to generate an average daily production volume over the year of 167bopd, and a fourth quarter average of 216bopd.

With respect to Europa's strong appraisal project portfolio, work continued on better understanding the Berenx gas resource, with a 3D seismic survey, processed by CGG Veritas, greatly adding to the structural understanding of the reservoir. Further 3D seismic data will be acquired ahead of finalising the location of an appraisal well due for 2013.

The exploration arm of the portfolio continues to be active, with the drilling of the Barchiz exploration well in late 2010. The well did not reach the main target, due in part to a decision to test oil shows in shallower zones. A programme to deepen the well an anticipated 600-1,000m to test the main objective is planned.

The Company's strong presence in Romania is underlined by the ongoing exploration seismic programmes, coupled with the recent spudding of the second well on the Voitinel gas discovery — Horodnic-1. This well is designed to prove a minimum commercial volume for the development and, if successful, will be followed by a further well in 2012.

The Company continues to evaluate new venture opportunities in the European and North African region to strengthen its current asset base. The current licence portfolio is summarised in the table on page 3.

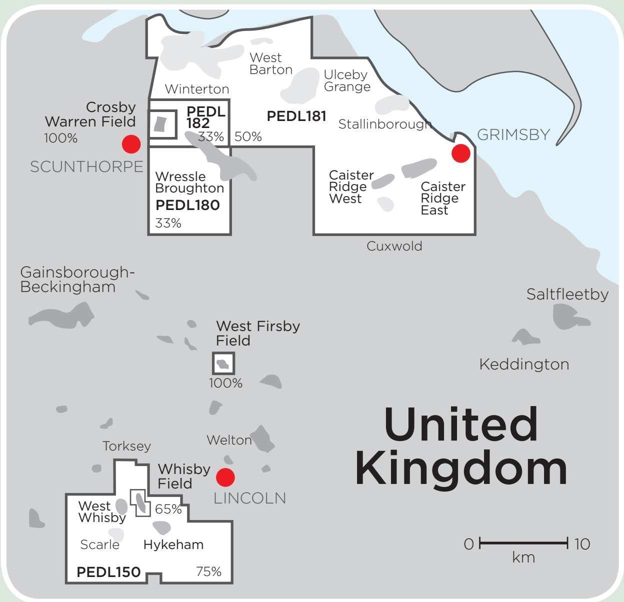
United Kingdom

The core of Europa's portfolio in the UK is in the East Midlands, a basin with a long history of successful oil exploration and production with potential for additional reserves and vast unconventional resources.

Activity in 2011 focused on drilling a further production well on the West Firsby Field and this was completed as a reservoir zone 1 and zone 2 oil producer in February. A facilities upgrade at the site is now complete and work continues to optimise production. Production continued at Crosby Warren and Whisby fields, contributing to a total annual production of 61,000 bbls across the three sites.

In May 2011, Surrey County Council Planning Committee narrowly voted against the approval of permission to drill an exploration well on licence PEDL143. This well, to test the Holmwood Prospect, was supported in the planning officer's report and the Company intends to pursue an appeal in the coming months in order to drill the well in 2012.

Following a cross-assignment of interests between Europa-operated PEDL180 and Egdon-operated PEDL182, Europa is now a 33% interest holder in a swathe of acreage running southeast from the Crosby Warren Oilfield, containing the Broughton oil discovery and the adjacent Wressle Prospect. In order to plan 2012 drilling on these projects, a 3D seismic survey is being acquired in late 2011.



Pictured: Europa's 3 producing fields are close to 4 exploration licensed areas — PEDL's 150, 180, 181 and 182

Europa holds two inshore licences for underground coal gasification, a large resource at the early research phase in the UK. In addition, Europa has been monitoring the developments in Lancashire with Cuadrilla's shale gas project, which have implications for the large licence area held in northeast Lincolnshire. Similar geology in Europa's Humber Basin acreage to that of the Bowland Trough points to future potential for unconventional if the Cuadrilla Project goes forward.

EXPLORATION

NE Lincolnshire (PEDL 180 - 33%; PEDL 181 - 50%; PEDL 182 - 33%), Lincoln area (PEDL 150 - 75%), Dorking area (PEDL 143 - 40%)

In June 2011, Europa reached agreement with Egdon Resources Limited and Celtique Energie Petroleum Limited to equalise interests across the contiguous licences PEDL 180 and PEDL 182. Europa reduced working interest in PEDL 180 from 50% to 33% and in return gained a 33% interest in PEDL 182 — the licence containing the Broughton oil discovery. A joint 3D seismic survey over 45 km^2 of the combined blocks is being acquired in November 2011.

Within the PEDL150 concession, the Hykeham well was drilled in 2010. Despite encountering oil pay, the well failed to flow oil, thought to be principally as a result of formation damage incurred during drilling. Though the likely forward plan is to plug and abandon the well, the investment has not been written off as prospectivity within the rest of the block, which includes the West Whisby feature, is believed to be good based on other information in the Group's possession. Lessons learnt at Hykeham will be applied in the drilling of other prospects in the same reservoir interval.

The PEDL 222 licence (50%), situated to the north of the Whisby Field, did not contain any prospects large enough to warrant drilling. The modest investment was written off in 2010 and in June 2011 the licence was formally relinquished.

Operational Review continued

PRODUCTION

West Firsby and Crosby Warren (100%), Whisby-4 (65%)

All three production sites were affected by the severe UK weather in late December 2010. With temperatures reaching 17 degrees below freezing, and several feet of snow, production was shut down for between one and two weeks.

At West Firsby the WF9 well spudded on 18 November 2010 and reached TD of 7,633 ft on 17 February 2011. The well was put on production on 1 March 2011 and trials were conducted on two producing zones using both beam pump and jet pump systems. After initial higher rates, production has settled at around 30 bopd.

Additional well intervention work took place at West Firsby, with the completion of WF3 as a water injector and the replacement of the WF7 bottom hole assembly.

Crosby Warren continues to produce from two wells. A re-frac of the existing CW1 producer is currently under review as the original cost assumptions have changed.

At Whisby, just to the west of Lincoln, a well drilled by Europa in early 2003 remains on steady production, currently producing around 50 bopd net to Europa on beam pump.

UNCONVENTIONAL RESOURCES

Underground Coal Gasification and Shale Gas

Europa has a 90% interest in two licences awarded by the UK Coal Authority to investigate underground coal gasification of virgin coals along the eastern coast of England. These licences are situated in areas with deep coal measures with little structural complexity and a proximity to existing gas and utility infrastructure.

Underground coal gasification (UCG) is a developing technology that recovers up to 80% of the calorific value of in situ coal by a process of controlled combustion. UCG, when combined with CO_2 storage in the depleted coal seams, creates a source of energy which rivals nuclear for low emissions and has lower unit costs than conventional gas-fired power stations.

With only 30% utilisation rate for the coals, the estimated potential UCG energy resource in these two licence areas is 36×10^{15} Joules or 6 billion barrels of oil equivalent.

In addition, the Company's large holding of over 600 km^2 of the Humber Basin, has potential for significant shale gas resources from Carboniferous basinal shales. Whilst this is being evaluated, activities in shale gas exploration elsewhere in the UK Carboniferous basins are being monitored with interest.

France

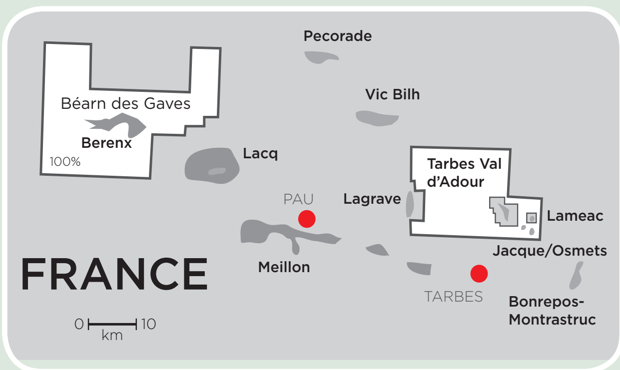
Europa holds two exclusive licences in the Aquitaine Basin, adjacent to the world-class Lacq-Meillon gas fields. There are two clear plays in Europa's acreage — large deep HPHT gas similar to the Lacq field in the Béarn des Gaves permit and oilfield re-development opportunities in the Tarbes Val d'Adour permit. The large gas play, Berenx, is the focus of attention, recently reprocessed 3D seismic gives a much clearer image of the target zone and additional 3D will now be acquired over the western part of the feature prior to finalising a well location.

APPRAISAL

The Berenx Structure (Béarn des Gaves Permit — 100%)

The main focus for Europa is the appraisal of the Berenx gas wells, where a high pressure high temperature well encountered 500m of gross gas shows and mud gas kicks in similar reservoir to the nearby 5 tcf Lacq Field. In mid-2010, Europa took delivery of a reprocessed 3D seismic dataset covering the area between Berenx and Lacq. The proximity (20km) to the Lacq Field creates a straightforward export route, allowing the gas to be processed in an existing facility with spare capacity.

The initial mapping indicates that the Berenx wells were drilled on the western edge of a sizeable structure which could reservoir in excess of 1.5 tcf of recoverable gas reserve. However, the quality of the seismic data was still not optimal and it was decided to utilise the new technique of Controlled Beam Migration to improve



Pictured: Two French licences are close to the 5 tcf Lacq gas field.

the subsurface image. This was highly successful and paves the way for further acquisition across the area. The forward programme is for the acquisition of additional seismic data in the next 6-12 months followed by securing joint venture partner(s) for the drilling of an appraisal well in 2013.

FIELD RE-DEVELOPMENT AND ASSOCIATED EXPLORATION

Tarbes Val d'Adour Licence (100%)

This licence contains several oil accumulations, previously produced by Elf but abandoned in 1985 in times of low oil price. Europa commissioned the French Geological Survey to map the potential field re-development area of Osmets and Jacque from a reprocessed 2D data set and this work is now complete. It demonstrates that there is significant upside potential in a stratigraphically trapped Meillon dolomite oil (proven in Osmets-1) below the proven Early Cretaceous oil in Osmets-2.

It is hoped that, with a partner, an appraisal/production well can be drilled on Osmets in 2012.

Romania

Europa holds interests in 4 Romanian exploration licences, with non-operated working interests varying from 17.5% to 28.75%. Europa has participated in 11 wells over the last 7 years in Romania. Of those, 4 were gas wells, a further 2 sub-commercial gas wells and the remainder unsuccessful, a technical success rate of just over 50%.

Exploration in the licences has moved into a new and exciting phase, where the primary target is the oil-prone thrust belt in the western part of the area. The Barchiz well did not reach the seismic horizon representing the target and will be deepened. In addition, appraisal drilling of the Voitinel discovery is now taking place. This well, Horodnic-1, is designed to prove up a minimum volume for initial development, but there is significant upside potential in the play which a third well is anticipated to test in 2012.

In 2011, 2D seismic data were acquired in three of the four concessions, concentrating on understanding the thrustbelt oil play. These data will serve to drive the 2012 drilling programme.

APPRAISAL

The Voitinel Discovery (EIII-1 Brodina Licence — 28.75%)

The 2009 Voitinel-1 exploration well encountered gas in two sandstone intervals at around 1,400m and 1,650m depth. The deeper of these tested dry gas at flow rates of 3 mmscfpd, but appeared to be close to a reservoir boundary, limiting the ability to maintain flow for long periods. A fracture stimulation was undertaken which increased the volume of gas accessed by the well. The operator, Aurelian, has assessed that approximately 6bcf will be producible from each conventional vertical well in this reservoir.

The Voitinel well was drilled close to the northern edge of the structural trend. However, the play extends far to the south of the well, having been proven by recent wells drilled by Romgaz at Paltinu. One well sustained gas flow rates of 5 mmscfpd for one week, indicating that the reservoir in the southern part of the play could be better quality than in the discovery well.

A first appraisal well Horodnic-1 is currently drilling.

Pictured: Four licence areas in Romania where Europa has interests, with prospect locations marked.

Operational Review continued

EXPLORATION

The Carpathian Thrust Belt Oil Play

The exploration strategy in the Romanian portfolio is moving away from the small but nonetheless successful shallow gas play in the eastern part of the licences to explore in the thrust belt oil play that is developed in the western part of all four of Europa's Romanian licences. The US Geological Survey estimates mean undiscovered potential reserves of over 2.9 billion barrels equivalent in the play.

Barchiz is situated in the Brates Licence, immediately north of and along trend from the Geamana oilfield (50 mmbo reserves). The Barchiz-1 well was drilled in late 2010, but due to a poor cement bond it was not possible to deepen the well beyond 1,450m and at the same time test the shallow Oligocene oil-bearing sequence. Following logging the well, it was clear the well had not reached its primary target, which still lay beneath the 1,450m total depth of the well. It was decided to test the shallow oil sands encountered in the well. These tests recovered modest amounts of 20API oil which was close to its pour point in the shallow reservoir, preventing it from flowing freely. However, it proved the hydrocarbon system and gives encouragement that there will be hydrocarbons reservoired in the main target. Consequently, it was decided to deepen the well.

The withdrawal of MND from the licence provides an opportunity to bring in a new partner, which is being progressed. The licence term has been extended to May 2013 and a further highly prospective area in the same licence, underneath the existing Tazlaul Mare gas condensate field, is anticipated to be matured for drilling in 2012.

Ireland

EXPLORATION

LO-11-7 and LO-11-8 (100%) Porcupine Basin

In October 2011, Europa was awarded Licensing Options over two four-block areas in the Irish Porcupine Basin. These blocks lie on the margins of the basin, where there is potential for stratigraphic traps in Cretaceous and Early Tertiary submarine fan systems, similar to similar highly successful plays elsewhere on the Atlantic Margin.

The Porcupine Basin has a proven hydrocarbon system, with several discoveries to date in predominantly structural traps. Greater potential exists for stratigraphic traps and Europa's work programme will be designed to define this upside prior to a decision to enter into the drilling phase with a Frontier Exploration Licence after 2 years.

The licence term has been extended to May 2013 and a further highly prospective area in the same licence, underneath the existing Tazlaul Mare gas condensate field, is anticipated to be matured for drilling in 2012.

Western Sahara

EXPLORATION

Tindouf Basin and Aaiun Basin Licences (100%)

Europa holds interests in Western Sahara licenced by the Sahrawi Arab Democratic Republic (SADR) covering almost 80,000km^2 of exciting exploration acreage. The Tindouf licence has great potential for both conventional and unconventional gas resources, being geologically similar to the prolific Algerian Palaeozoic basins. The Aaiun Basin is an Atlantic margin basin similar to that developed along the West African margin.

In 2010, with the license areas remaining in force majeure throughout the year, the Board decided to write-down the intangible asset to nil value. Though the investment has been written down, Europa retains its 100% interest in the 2 blocks.

Conclusion

Across the five jurisdictions where Europa operates, there remains a strong asset inventory waiting to be unlocked: Oil exploration in the UK and Romania as well as potential for large gas developments in the Acquitaine area of France and the Romanian Carpathians. Ongoing and near-term drilling will crystallize some of this value, but there remains a conveyor belt of exploration work for the coming years as demonstrated by the recent Irish awards.

Paul Barrett
Managing Director

Financial Review

Results for the year

Group revenue for the year to 31 July 2011 was £3,766,000 (2010: £3,091,000).

The increase in revenue arose from higher crude oil prices, the average price per barrel achieved in the year being $99.43 (2010: $73.95).

Oil produced and sold during the year amounted to 60,956 barrels or 167 bopd (2010: 64,968 barrels or 178 bopd). Production volumes were adversely affected by freezing conditions at all sites in January and disruption at West Firsby while WF9 was drilling. With WF9 producing since March, and other wells back on production, the average volume achieved in the fourth quarter was 217 bopd.

A weaker US Dollar in the year to 31 July 2011 meant that some of the better Dollar price was lost as sales were translated to Sterling at an average rate of $1.6106 (2010: $1.5584).

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

Other cost of sales were higher due to well workovers at Crosby Warren and West Firsby and higher diesel costs. The book value of the UK producing assets were written down by £425,000 (2010: £1,012,000). This impairment charge arose as a result of the increase in the Supplementary tax charge, see below.

Pre tax profit from continuing operations for the year was £291,000 (2010: loss £1,699,000).

Taxation

The total tax charge (current and deferred) for the year was £523,000 (2010: £263,000). With effect from 24 March 2011 the UK Government increased the Supplementary Charge applied to profits arising within the UK ring fence from 20% to 32%. Combined with the 30% main rate of tax applied to ring fence trades this increase raised the effective tax rate applied to UK profits to 62%. The increase in the deferred tax provision (Note 18) results from this increase in effective tax rate which is expected to apply as the timing differences unwind.

Loss after tax

The results for 2011 show a loss from continuing operations after taxation of £232,000 (2010: loss £1,962,000).

Discontinued operations

In September 2011, the Company received notification from the Romanian tax authorities that VAT had been assessed on a sale of a business in 2007. Details of the assessment are as follows:

VAT item	£
Amount claimed for refund by Europa	194,000
Disallowed from claim	(22,000)
Valenii de Munte exploration costs	(62,000)
Assessed re sale of Bilca	(357,000)
Penalties for late payment	(369,000)
Amount to be paid	(616,000)

The Company intends to submit an appeal to the Romanian tax authorities and has received advice from its tax advisers KPMG that it has a strong technical argument for its counter claim. The accounts as at 31 July 2011 have been adjusted to record the above liability. The charge which has been recognised in the consolidated statement of comprehensive income is reconciled in Note 6.

Cashflow

Net cash from operating activities was £985,000 (2010: £1,023,000). Net cash used in investing activities was £5,021,000 (2010: £3,297,000) and included the West Firsby-9 and Barchiz-1 wells (2010: Voitinel and Hykeham wells). Net cash from financing activities was £6,408,000 (2010: £2,083,000) which included three share placings which raised a total of £5,920,000 of cash net of broker commission. The net cash balance at the end of the year was £1,876,000 (2010: overdraft of £475,000).

Financial and business 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, credit 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 and business risk (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, Sterling and Romanian Lei.

Crude oil is sold to one multinational oil company. Credit risk is considered to be minimal.

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 through:

- a £700,000 overdraft facility
- the placing of Europa shares in the market
- a £5 million Standby Equity Distribution Agreement (SEDA)
- a £1 million SEDA backed loan note

Placing of Shares

During the year, Europa issued shares on three occasions:

Date	Shares issued	Price	Amount raised £ (net of commission)
14 October 2010	13,360,810	11.5p	1,452,000
24 December 2010	18,339,333	15p	2,615,000
28 June 2011	16,170,998	13p	1,853,000
Total year	47,871,141		5,920,000

The SEDA facility

On 15 July 2011 Europa entered into an agreement with YA Global Master SPV (Yorkville) under which Yorkville provided a £5 million Standby Equity Distribution Agreement (SEDA). Yorkville is an investment fund managed by Yorkville Advisors UK LLP. The SEDA facility can be used entirely at Europa's discretion. Europa may draw down on funds over a period of up to three years in exchange for the issue of new ordinary shares. The shares issued will be at a 5% discount to the prevailing market price during the previous 10 days. Europa may also set a minimum price for each draw down. The maximum advance that may be requested is 200% of the average daily trading volume of ordinary shares multiplied by the volume weighted average price of such shares for each of the 5 trading days prior to the draw down request. The facility may only be drawn down upon once every 10 days. To date there have been no draw downs against the SEDA.

Overdraft Facility

The Royal Bank of Scotland (RBS) multi-currency facility signed on 11 February 2011 provides an overdraft of up to £700,000 (2010: £1,000,000). Interest is charged at 3% over base rate (2010: 3% over base rate). The facility is due to be renewed 31 October 2011. The principal interest rate risk for the Group is the interest charge arising from utilisation of the multi-currency facility.

Term Loan

The £1,000,000 term loan provided by RBS in 2010, on which £500,000 was due at 31 July 2010 was fully repaid on 31 January 2011.

Loan note

Also on 15 July 2011 Europa agreed a $1.6 million (approx £1 million) loan note with Yorkville. The loan is repayable in tranches over 12 months and attracts interest at a rate of 8% per annum. Europa has the right to repay the loan note at any time and the loan is convertible by Yorkville only in the event of default at a discount of 20% to the mid market price of ordinary shares on the day of conversion.

Exploration, drilling and operational risk

The business of exploration and production of oil and gas involves a high degree of risk. Few prospects 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 2011.

Phil Greenhalgh
Finance Director

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 July 2011.

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, France and Romania. The Board has considered and will continue to consider investments in Europe and North Africa.

Business review

A detailed review of the Group's business and prospects is set out in the Chairman's statement (page 4) and Operational review (page 6). The Financial review (page 11) and Corporate governance statement (page 18) 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 loss for the year after taxation was £1,020,000 (2010 loss: £1,962,000). The directors do not recommend the payment of a dividend (2010: £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 2011, the Group had 41 days of purchases outstanding (2010: 65 days) and the Company had 32 days of purchases outstanding (2010: 16 days).

Directors and their interests

Directors holding office through the year were as follows:

WH Adamson
CW Ahlefeldt-Laurvig
PA Barrett
RJHM Corrie
P Greenhalgh
HGD Mackay appointed 6 September 2011
ES Syba resigned 31 August 2010

The directors' interests in the share capital of the Company at 31 July were:

	Number of ordinary shares		Number of ordinary share options	
	2011	**2010**	**2011**	**2010**
WH Adamson	**175,000**	50,000	**250,000**	250,000
CW Ahlefeldt-Laurvig[1]	**25,502,442**	25,002,442	**—**	—
PA Barrett[2]	**18,034,752**	17,655,071	**—**	—
RJHM Corrie[3]	**87,500**	37,500	**500,000**	500,000
P Greenhalgh	**250,000**	250,000	**1,875,000**	1,875,000
HGD Mackay[4]	**455,615**	—	**—**	—

[1] CW Ahlefeldt-Laurvig holds shares through HSBC Global Custody Nominee (UK) Limited.

[2] PA Barrett is the registered owner of 6,942,044 shares and the beneficial owner of 1,908,322 shares held in a self invested personal pension (SIPP). His wife is the registered owner of 7,622,643 shares and the beneficial owner of 1,561,743 shares held in a SIPP.

[3] RJHM Corrie has a 50% interest in RT Property Investments Limited which holds 50,000 shares. Corrie Limited, of which Mr Corrie is a director, holds 62,500 shares.

[4] HGD Mackay was appointed a director on 6 September 2011.

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. WH Adamson was granted options on 17 April 2010 which are exercisable at 14 pence per share. R J H M Corrie and P Greenhalgh were granted 500,000 and 1,250,000 options respectively on 8 May 2008 exercisable at 20 pence per share. P Greenhalgh was granted a further 625,000 options on 23 October 2009 exercisable at 16 pence per share.

Directors' 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.

Subject to the conditions set out in the Companies Act 2006, the Company has arranged appropriate Directors' and Officers' insurance to indemnify the directors against liability in respect of proceedings brought by third parties. Such provisions remain in force at the date of this report.

Post reporting date events

Details of post reporting date events are included in Note 26 to the financial statements.

Capital structure and going concern

The directors took the opportunity to raise £1,452,000 of new equity financing in October 2010, a further £2,615,000 in December 2010, and £1,853,000 in June 2011 — all these figures are net of broker commission. The £5 million SEDA (details in the Financial Review above) provides an additional source of future capital, but was not utilised in the year.

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 judgement is based on correspondence with its bankers, the performance of its existing oil production, and the availability of the £5 million Yorkville SEDA facility.

If it is not possible for the directors to secure adequate resources, the carrying value of the assets of the Group including intangible exploration assets and the investment of the Company in its subsidiaries are likely to be impaired. In addition, other costs and write downs may arise in the course of seeking to fund the liabilities 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 20 October 2011

P Greenhalgh
Finance Director

Directors' Profiles

WH Adamson OBE
Non-Executive Chairman

Bill has had a longstanding career in the energy industry with BG Group plc managing all aspects of large gas businesses including CNG, power generation, joint venture management, corporate governance and risk and safety management. He was the Chairman and CEO of MetroGas S.A., Argentina's post-privatisation leading gas utility, Vice President and General Manager of BG Group's UK downstream business and most recently Managing Director BG India where he managed a portfolio of upstream and downstream businesses. Bill is a Chartered Engineer and holds an honours degree in gas engineering from the University of Salford.

CW Ahlefeldt-Laurvig
Non-Executive Director

William received an MSc in civil engineering from the Danish Technical University in 1981. Following national service, he worked for Maersk as a petroleum engineer followed, in 1987, by IPEC, a London based consultancy company, where he was responsible for field reserves estimations. In 1990, he became an independent consultant, undertaking field and portfolio evaluations for acquisitions and field development work on a range of projects in the North Sea, former Soviet Union and Middle East. In 2001 he became the major investor in Europa at the time earning 60% of the Company shares through capital investment. He has been a non executive director of the Company since its float in 2004. William has continued to be active in petroleum engineering consulting doing portfolio evaluations and project management in the Middle East.

PA Barrett
Managing Director

Paul graduated from Durham University with a BSc in geology and Imperial College London with an MSc in petroleum geology. He started his career with Phillips Petroleum Company where he worked on North Sea acreage as an exploration geologist gaining broad experience of all exploration methods. He worked for Britoil on North Sea acreage and in the West Africa division, on a project to identify future hydrocarbon provinces. He recognised emerging opportunities in Central Europe in the mid-1990s and founded Europa with Dr. Erika Syba. In April 2011, Paul signalled his intention to resign as Managing Director of Europa in order to pursue other interests. Paul intends to remain with the Company during his 12 month notice period in order to effect an orderly handover.

RJHM Corrie
Non-Executive Director.

Roderick is a graduate of Cambridge University, an Associate of the Chartered Institute of Banking and a Member of the Securities Institute. He is a strategic adviser and financier with a variety of companies. He holds or has held executive or non-executive roles in corporate finance, strategic advice, financial services, health, property, mineral exploration, investment and manufacturing companies, and previously held senior positions in the banking industry. He is Chief Financial Officer of the Toronto listed gold exploration and development company Lydian International Ltd.

P Greenhalgh
Finance Director

Phil graduated from Imperial College with a BEng in chemical engineering and subsequently became a member of the Chartered Institute of Management Accountants. He began his financial career as Financial Controller with Kelco International, a subsidiary of Merck & Co. He moved to Monsanto plc where he was UK Finance Director before becoming Finance Director with Pharmacia Ltd. He moved to Whatman plc, a FTSE 250 company, where he had extensive dealings with the City of London, lead the financing of a €50m company acquisition and oversaw a substantial share price recovery.

HGD Mackay
Chief Executive Officer
(with effect from 10 October 2011)

Hugh was most recently founding Chairman of Avannaa Resources, a mineral exploration company focused on grass roots exploration in Greenland. He has a wealth of experience in the oil and gas sector, including eight years at BP in a variety of roles in the UK, the Oman and Egypt, then at Enterprise Oil in leadership roles, culminating as head of the SE Asia division. He played a pivotal role in the development of the Peak Group and its eventual sale to AGR Petroleum Services where he was Group Business Development Manager. He has a BSc in Geology from the University of Edinburgh and a Sloan MSc in Management from London Business School.

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 have 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 UK corporate governance code 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

At 31 July 2011, the Board consisted of three non-executive and two executive directors. On 6 September 2011 HGD Mackay was appointed as an additional non-executive director, pending taking up the position of CEO on 10 October 2011.

The role of Chairman is held by a non-executive and the role of CEO 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 eleven meetings (2010: eleven). All the eligible directors attended all the meetings.

The non-executive directors hold, either directly or through beneficial interest, ordinary shares and/or 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 WH Adamson. 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

A Nomination Committee comprising WH Adamson and CW Ahlefeldt-Laurvig was established for the search for the CEO. 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 RJHM Corrie. 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.

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 the year.

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 and Gas (Holdings) plc for the year ended 31 July 2011 which comprise specifically the consolidated statement of comprehensive income, the consolidated and Company statement of financial position, the consolidated and Company statement of changes in equity, the consolidated and Company statement of cashflows and the related Notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as 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 Chapter 3 of Part 16 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 and express an opinion on 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

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2011 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter — further funding requirement for commitments

In forming our opinion on the financial statements which is not modified we draw your attention to the disclosures made in Note 11 of the financial statements concerning the Group's ability to fund its licence commitments.

The Group requires additional funding within the next twelve months in order to meet its licence commitments in France and Romania. The group currently has a £5 million Standby Equity Distribution Agreement (SEDA) facility in place. The drawdown of funds from the SEDA is dependent on the market liquidity of the Group's equity shares and therefore there is no certainty that the funds required to meet these licence commitments will be available from this source. While the directors are confident that if required additional funding can be raised from other sources, being further debt or an equity raising to meet these licence commitments there can be no guarantee that this funding will be forthcoming. The financial statements do not include the adjustments that would result if the Group is unable to secure additional funding.

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.

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.

BDO LLP

Anne Sayers (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

London, United Kingdom

20 October 2011

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

Consolidated Statement of Comprehensive Income

for the year ended 31 July 2011

	Note	2011 £000	2010 £000
Revenue	2	**3,766**	3,091
Other cost of sales	2	**(2,216)**	(1,836)
Exploration write-off	11	**—**	(1,008)
Impairment of producing fields	12	**(425)**	(1,012)
Total cost of sales		**(2,641)**	(3,856)
Gross profit/(loss)		**1,125**	(765)
Administrative expenses		**(646)**	(709)
Finance income	7	**1**	37
Finance expense	8	**(189)**	(262)
Profit/(loss) before taxation	3	**291**	(1,699)
Taxation	9	**(523)**	(263)
Loss for the year from continuing operations		**(232)**	(1,962)
Discontinued operations			
Loss for the year from discontinued operations	6	**(788)**	—
Loss for the year attributable to the equity shareholders of the parent	10	**(1,020)**	(1,962)
Other comprehensive income			
Exchange gains arising on translation of foreign operations		**8**	56
Total comprehensive loss for the period attributable to the equity shareholders of the parent		**(1,012)**	(1,906)

	Note	Pence per share	Pence per share
Loss per share (LPS) attributable to the equity shareholders of the parent			
Basic and diluted LPS from continuing operations	10	**(0.22)p**	(2.60)p
Basic and diluted LPS from discontinued operations	10	**(0.74)p**	—
Basic and diluted LPS from continuing and discontinued operations	10	**(0.96)p**	(2.60)p

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

for the year ended 31 July 2011

	Note	2011 £000	2010 £000
Assets			
Non-current assets			
Intangible assets	11	**11,348**	9,751
Property, plant and equipment	12	**6,742**	4,504
Deferred tax asset	18	**930**	–
Total non-current assets		**19,020**	14,255
Current assets			
Inventories	14	**43**	38
Trade and other receivables	15	**795**	587
Current tax asset		**–**	335
Cash and cash equivalents		**1,876**	4
Total current assets		**2,714**	964
Total assets		**21,734**	15,219
Liabilities			
Current liabilities			
Trade and other payables	16	**(1,757)**	(1,797)
Current tax liabilities		**–**	(2)
Derivative	22	**(56)**	(55)
Short-term borrowings	17	**(996)**	(900)
Total current liabilities		**(2,809)**	(2,754)
Non-current liabilities			
Long-term borrowings	17	**(230)**	(352)
Deferred tax liabilities	18	**(4,686)**	(3,240)
Long-term provisions	19	**(1,570)**	(1,395)
Total non-current liabilities		**(6,486)**	(4,987)
Total liabilities		**(9,295)**	(7,741)
Net assets		**12,439**	7,478
Capital and reserves attributable to equity holders of the parent			
Share capital	20	**1,301**	822
Share premium	20	**12,573**	7,132
Merger reserve	20	**2,868**	2,868
Foreign exchange reserve	20	**416**	408
Retained deficit	20	**(4,719)**	(3,752)
Total equity		**12,439**	7,478

These financial statements were approved by the Board of directors and authorised for issue on 20 October 2011 and signed on its behalf by:

P Greenhalgh
Finance Director

Company registration number 5217946

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 July 2011

	Attributable to the equity holders of the parent					
	Share capital £000	Share premium £000	Merger reserve £000	Foreign exchange reserve £000	Retained deficit £000	Total equity £000
Balance at 1 August 2009	**626**	**4,692**	**2,868**	**352**	**(1,878)**	**6,660**
Total comprehensive income/(loss) for the year	—	—	—	56	(1,962)	(1,906)
Share based payment	—	—	—	—	88	88
Issue of share capital (net of issue costs)	196	2,440	—	—	—	2,636
Balance at 31 July 2010	**822**	**7,132**	**2,868**	**408**	**(3,752)**	**7,478**

	Share capital £000	Share premium £000	Merger reserve £000	Foreign exchange reserve £000	Retained deficit £000	Total equity £000
Balance at 1 August 2010	**822**	**7,132**	**2,868**	**408**	**(3,752)**	**7,478**
Total comprehensive income/(loss) for the year	—	—	—	8	(1,020)	(1,012)
Share based payment	—	—	—	—	53	53
Issue of share capital (net of issue costs)	479	5,441	—	—	—	5,920
Balance at 31 July 2011	**1,301**	**12,573**	**2,868**	**416**	**(4,719)**	**12,439**

The accompanying notes form part of these financial statements.

Company Statement of Financial Position

for the year ended 31 July 2011

	Note	2011 £000	2010 £000
Assets			
Non-current assets			
Property, plant and equipment	12	**369**	382
Investments	13	**3,315**	3,312
Loans to Group companies	15	**12,472**	7,217
Total non-current assets		**16,156**	10,911
Current assets			
Other receivables	15	**246**	49
Cash and cash equivalents		**1,578**	21
Total current assets		**1,824**	70
Total assets		**17,980**	10,981
Liabilities			
Current liabilities			
Trade and other payables	16	**(262)**	(461)
Current tax liabilities		**—**	—
Derivative	22	**(56)**	(55)
Short-term borrowing	17	**(996)**	(21)
Total current liabilities		**(1,314)**	(537)
Non-current liabilities			
Long-term borrowings	17	**(230)**	(252)
Total non-current liabilities		**(230)**	(252)
Total liabilities		**(1,544)**	(789)
Net assets		**16,436**	10,192
Capital and reserves attributable to equity holders of the parent			
Share capital	20	**1,301**	822
Share premium	20	**12,573**	7,132
Merger reserve	20	**2,868**	2,868
Retained deficit	20	**(306)**	(630)
Total equity		**16,436**	10,192

These financial statements were approved by the Board of directors and authorised for issue on 20 October 2011 and signed on their behalf by:

P Greenhalgh
Finance Director

Company registration number 5217946

The accompanying notes form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 July 2011

	Share capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total equity £000
Balance at 1 August 2009	**626**	**4,692**	**2,868**	**(630)**	**7,556**
Total comprehensive loss for the year	—	—	—	(88)	(88)
Share based payment	—	—	—	88	88
Issue of share capital (net of issue costs)	196	2,440	—	—	2,636
Balance at 31 July 2010	**822**	**7,132**	**2,868**	**(630)**	**10,192**

	Share capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total equity £000
Balance at 1 August 2010	**822**	**7,132**	**2,868**	**(630)**	**10,192**
Total comprehensive income for the year	—	—	—	271	271
Share based payment	—	—	—	53	53
Issue of share capital (net of issue costs)	479	5,441	—	—	5,920
Balance at 31 July 2011	**1,301**	**12,573**	**2,868**	**(306)**	**16,436**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 July 2011

	Note	2011 £000	2010 £000
Cash flows from operating activities			
Loss after tax		**(232)**	(1,962)
Adjustments for:			
Share based payments	21	**53**	73
Depreciation	12	**354**	498
Exploration write-off	11	**—**	1,008
Impairment of property, plant & equipment	12	**425**	1,012
Finance income	7	**(1)**	(37)
Finance expense	8	**189**	262
Taxation expense	9	**523**	263
(Increase)/decrease in trade and other receivables		**(412)**	(66)
(Increase)/decrease in inventories		**(5)**	(23)
Increase/(decrease) in trade and other payables		**(239)**	592
Cash generated from continuing operations		**655**	1,620
Loss after taxation from discontinued operations		**(788)**	—
Adjustments for:			
Decrease in trade and other receivables		**193**	—
Increase in trade payables		**617**	—
Non cash increase in intangible assets		**(22)**	—
Cash used in discontinued operations		**—**	—
Income taxes paid		**—**	(597)
Income taxes repayment received		**330**	—
Net cash from operating activities		**985**	1,023
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,213)**	(222)
Purchase of intangible assets		**(1,809)**	(3,075)
Interest received		**1**	—
Net cash used in investing activities		**(5,021)**	(3,297)
Cash flows from financing activities			
Proceeds from issue of share capital (net of issue costs)		**5,920**	2,653
Increase/(decrease) in payables related to the issue of share capital		**115**	—
Proceeds from short-term borrowings		**1,065**	—
Repayment of borrowings		**(612)**	(469)
Finance costs		**(80)**	(101)
Net cash from financing activities		**6,408**	2,083
Net increase/(decrease) in cash and cash equivalents		**2,372**	(191)
Exchange (loss)/gain on cash and cash equivalents		**(21)**	8
Cash and cash equivalents at beginning of year		**(475)**	(292)
Cash and cash equivalents at end of year		**1,876**	(475)
Cash and cash equivalents comprise:			
Cash		**1,876**	4
Multi-currency facility	17	**—**	(479)
Net cash and cash equivalents		**1,876**	(475)

The accompanying notes form part of these financial statements.

Company Statement of Cash Flows

for the year ended 31 July 2011

	Note	2011 £000	2010 £000
Cash flows from operating activities			
Profit /(loss) after tax	3	**271**	(88)
Adjustments for:			
Share based payments		**53**	88
Depreciation	12	**24**	18
Finance income		**(476)**	(168)
Finance expense		**49**	112
(Increase)/decrease in trade and other receivables		**(197)**	(39)
(Decrease)/increase in trade and other payables		**(336)**	360
Net cash from operating activities		**(612)**	283
Cash flows from investing activities			
Purchase of property, plant and equipment		**(11)**	(16)
Movement on loan to Group companies		**(4,745)**	(3,164)
Interest received		**1**	—
Net cash (used in)/from investing activities		**(4,755)**	(3,180)
Cash flows from financing activities			
Proceeds from issue of share capital (net of issue costs)		**5,920**	2,653
Increase/(decrease) in payables related to the issue of share capital		**115**	—
Proceeds from short term borrowings		**1,065**	—
Repayment of borrowings		**(112)**	(19)
Finance costs		**(48)**	(26)
Net cash from financing activities		**6,940**	2,608
Net increase/(decrease) in cash and cash equivalents		**1,573**	(289)
Exchange (loss)/gain on cash and cash equivalents		**(16)**	13
Cash and cash equivalents at beginning of year		**21**	297
Cash and cash equivalents at end of year		**1,578**	21

The accompanying notes form part of these financial statements.

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 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 statement of financial position 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 2011.

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, based on the Group's cash flow forecasts, that the Group, can continue in operational existence for the foreseeable future. This judgement is based on correspondence with its bankers, the performance of its existing oil production, and the availability of the £5 million Yorkville SEDA facility.

As disclosed in Note 11, the funding of the 2012 work programme is expected to be met partly from additional fund raising which could include the issue of equity, bank funding or the trading of assets.

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.

Various amendments to published standards and interpretations to existing standards were made effective in the year. None of these were relevant to the Group.

The following are amendments to existing standards and new standards which may apply to the Group in future accounting periods. Except for the disclosure requirements of IAS 24 and the impact of IFRS 9 and IFRS 11, which the directors are continuing to assess, none of the following are considered to affect the Company.

		Effective date (periods beginning on or after)
IAS 24	Revised — Related Party Disclosures	1 Jan 2011
IFRIC 14	Amendment — IAS 19 Limit on a defined benefit asset	1 Jan 2011
IFRS 7 *	Amendment — Transfer of financial assets	1 July 2011
IFRS 1 *	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
	Improvements to IFRSs (2010)*	1 Jan 2011
IAS 12 *	Deferred Tax: Recovery of Underlying Assets	1 Jan 2012
IFRS 9 *	Financial instruments	1 Jan 2013

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.

Notes to the Financial Statements continued

1 Accounting Policies (continued)

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its material subsidiary undertakings drawn up to 31 July 2011. 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 ventures. The accounting for the Groups share of the results and net assets of these joint arrangements is described below.

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-production assets are categorized as intangible assets on the statement of financial position. 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

Production assets are categorized within property, plant and equipment on the statement of financial position. 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.

1 Accounting Policies (continued)

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 disclosed in Notes 11 and 12. 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.

Depreciation — production assets

All expenditure within each 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 cost pool. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Furniture and computers are depreciated on a 25% per annum straight line basis.

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

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.

Notes to the Financial Statements continued

1 Accounting Policies (continued)

Non-current assets (continued)

Future decommissioning costs

A provision for decommissioning is recognised in full at the point that the Group has an obligation to decommission an appraisal, development or producing well. A corresponding non-current asset (included within producing fields in note 12) 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. For producing wells, the asset is subsequently depreciated as part of the capital costs of production facilities within tangible non-current assets, on a unit of production basis. Any decommissioning obligation in respect of a pre-production asset is carried forward as part of its cost and tested annually for impairment in accordance with the above policy.

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 finance expense.

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.

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 reporting date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, 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.

1 Accounting Policies (continued)

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 reporting 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 items or on translating items at rates different from those at which they were initially recorded are recognised in the Statement of comprehensive income 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 Statement of comprehensive income.

The monetary assets and liabilities in the financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the reporting 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 foreign exchange reserve in equity. On disposal of a foreign operation the cumulative translation differences are transferred to the statement of comprehensive income 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, Romania, France and Western Sahara, 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.

Investments

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

Financial instruments

Financial assets and liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group and Company classify 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 initially at fair value plus directly attributable transaction costs, and subsequently at amortised cost using the effective interest rate method, less provision for impairment. 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 Statement of comprehensive income.

Cash and cash equivalents comprise cash held by the Group, short-term bank deposits with an original maturity of three months or less and bank overdrafts. Within the consolidated statement of cash flows, cash and cash equivalents includes the overdraft drawn against the multi-currency facility described in Note 17.

Costs incurred in implementing the SEDA facility are held in Trade and other receivables and amortised as the SEDA is utilised.

Notes to the Financial Statements continued

1 Accounting Policies (continued)

Financial instruments (continued)

The Group and Company classify 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 statement of financial position at fair value with changes in fair value recognised in the consolidated Statement of comprehensive income. 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 and other 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 statement of financial position. 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 statement of comprehensive income over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the statement of comprehensive income on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

During the current and prior year the Group and Company did not have any finance leases.

Defined contribution pension schemes

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

1 Accounting Policies (continued)

Inventories

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

Joint ventures

Joint ventures are those ventures 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 statement of comprehensive income 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 statement of comprehensive income 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.

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:

Accounting judgements and estimates:

- Carrying value of intangible assets (Note 11) — carrying values are justified by reference to future estimates of cash flows
- Carrying value of property, plant and equipment (Note 12) — carrying values are justified by reference to future estimates of cash flows
- Decommissioning provision (Note 19) — inflation and discount rate estimates are used in calculating the provision
- Share-based payments (Note 21) — various estimates are used in determining the fair value of options

Notes to the Financial Statements continued

2 Business segment analysis

In the opinion of the directors the Group has four reportable segments as reported to the chief operating decision maker, being the UK, Romania, France and North Africa.

The reporting on these segments to management focuses on revenue, operating costs and capital expenditure. The impact of such criteria is discussed further in the Chairman's Statement, Operational Review and Financial Review of this annual report.

Income statement for the year ended 31 July 2011

	UK £000	Romania £000	France £000	North Africa £000	Total £000
Continuing operations					
Revenue	3,766	—	—	—	3,766
Other cost of sales	*(2,216)*	—	—	—	*(2,216)*
Exploration write-off	—	—	—	—	—
Impairment of producing fields	*(425)*	—	—	—	*(425)*
Cost of sales	(2,641)	—	—	—	(2,641)
Gross profit	**1,125**	**—**	**—**	**—**	**1,125**
Administrative expenses	(556)	(53)	—	(37)	(646)
Finance income	1	—	—	—	1
Finance costs	(187)	(2)	—	—	(189)
Profit/(loss) before tax	**383**	**(55)**	**—**	**(37)**	**291**
Taxation	(523)	—	—	—	(523)
Profit/(loss) for the year from continuing operations	**(140)**	**(55)**	**—**	**(37)**	**(232)**
Discontinued operations					
Loss for the year from discontinued operation	—	(788)	—	—	(788)
Profit/(loss) for the year	**(140)**	**(843)**	**—**	**(37)**	**(1,020)**

Segmental assets and liabilities as at 31 July 2011

	UK £000	Romania £000	France £000	North Africa £000	Total £000
Total non-current assets	10,082	8,412	526	—	19,020
Total current assets	2,699	15	—	—	2,714
Total assets	**12,781**	**8,427**	**526**	**—**	**21,734**
Total non-current liabilities	(6,486)	—	—	—	(6,486)
Total current liabilities	(2,095)	(714)	—	—	(2,809)
Total liabilities	**(8,581)**	**(714)**	**—**	**—**	**(9,295)**
Other segment items					
Capital expenditure	3,243	1,608	171	—	5,022
Depreciation	354	—	—	—	354
Share based payments	53	—	—	—	53

2 Business segment analysis (continued)

Income statement for the year ended 31 July 2010

	UK £000	Romania £000	France £000	North Africa £000	Total £000
Continuing operations					
Revenue	3,091	—	—	—	3,091
Other cost of sales	*(1,836)*	—	—	—	*(1,836)*
Exploration write-off	*(87)*	—	—	*(921)*	*(1,008)*
Impairment of producing fields	*(1,012)*	—	—	—	*(1,012)*
Cost of sales	(2,935)	—	—	(921)	(3,856)
Gross profit/(loss)	**156**	**—**	**—**	**(921)**	**(765)**
Administrative expenses	(642)	(35)	—	(32)	(709)
Finance income	37	—	—	—	37
Finance costs	(245)	(17)	—	—	(262)
Loss before tax	(694)	(52)	—	(953)	(1,699)
Taxation	(263)	—	—	—	(263)
Loss for the year	**(957)**	**(52)**	**—**	**(953)**	**(1,962)**

Segmental assets and liabilities as at 31 July 2010

	UK £000	Romania £000	France £000	North Africa £000	Total £000
Total non-current assets	6,756	7,191	308	—	14,255
Total current assets	757	207	—	—	964
Total assets	**7,513**	**7,398**	**308**	**—**	**15,219**
Total non-current liabilities	(4,987)	—	—	—	(4,987)
Total current liabilities	(2,288)	(466)	—	—	(2,754)
Total liabilities	**(7,275)**	**(466)**	**—**	**—**	**(7,741)**
Other segment items					
Capital expenditure	1,896	987	169	245	3,297
Depreciation	498	—	—	—	498
Share based payments	93	—	—	(5)	88

100% of the total revenue (2010: 100%) relates to UK based customers. Of this figure, one single customer (2010: one) commands more than 99% of the total.

Notes to the Financial Statements continued

3 Profit/(loss) before taxation

Profit/(loss) from continuing operations is stated after charging:

	Note	2011 £000	2010 £000
Depreciation	12	**354**	498
Staff costs including directors	5	**744**	920
Exploration write-off	11	**—**	1,008
Impairment of property, plant and equipment	12	**425**	1,012
Fees payable to the auditor for the Company audit		**15**	5
Fees payable to the auditor for the audit of subsidiaries		**29**	11
Fees payable to the auditor in respect of corporate finance services		**34**	—
Operating leases — land and buildings		**35**	36

Fees payable to the auditor were over accrued in 2009 and the 2010 figure is net of a credit in the Company of £10,000 and in the subsidiary of £24,000.

The Company has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish its individual statement of comprehensive income and related notes. The profit dealt with in the financial statements of the parent Company is £271,000 (2010 loss: £88,000).

4 Directors' emoluments

Directors' salaries and fees

	2011 £000	2010 £000
WH Adamson (from 8 April 2010)	**40**	13
CW Ahlefeldt-Laurvig	**18**	18
PA Barrett	**127**	125
RJHM Corrie	**18**	18
P Greenhalgh	**129**	109
JMY Oliver (to 8 April 2010)	**—**	12
ES Syba (to 31 August 2010)	**6**	233
	338	528

Directors' pensions

	2011 £000	2010 £000
PA Barrett	**19**	19
P Greenhalgh	**16**	16
ES Syba	**11**	11
	46	46

The above charge represents premiums paid to money purchase pension plans during the year. Under the terms of a compromise agreement dated 12 August 2010, the Company will continue to pay pension contributions in respect of ES Syba until February 2012.

PA Barrett was the highest paid director in the year with total salary plus pension of £146,000. In 2010 the highest paid director was ES Syba with a total salary plus pension of £242,000 (which included £159,000 of compensation for loss of office). Social security costs in relation to directors' remuneration were £41,000 (2010: £60,000).

4 Directors' emoluments (continued)

Directors' share based payments

	2011 £000	2010 £000
WH Adamson	**9**	3
RJHM Corrie	**7**	15
P Greenhalgh	**33**	54
	49	72

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 (2010: none).

5 Employee information

Average number of employees including directors

	2011 Number	2010 Number
Management and technical	**6**	10
Field exploration and production	**4**	13
	10	23

2010 includes an average of 12 employees in Ukraine terminated in 2010.

Staff costs

	2011 £000	2010 £000
Wages and salaries	**550**	694
Social security	**68**	87
Pensions	**73**	66
Share based payment (Note 21)	**53**	73
	744	920

Total staff costs for the Company were £517,000 (2010: £729,000)

6 Loss from discontinued operations

	2011 £000	2010 £000
VAT on Valenii de Munte exploration costs	**62**	—
VAT assessed on the sale of the Bilca gas business	**357**	—
Penalties for late payment of VAT	**369**	—
Loss for the year from discontinued operations	**788**	—

The loss for discontinued operations arises from the September 2011, notification from the Romanian tax authorities that VAT had been assessed on the transfer of two businesses in 2007.

Notes to the Financial Statements continued

7 Finance income

	2011 £000	2010 £000
Exchange rate gains	—	37
Interest receivable	1	—
	1	37

8 Finance expense

	2011 £000	2010 £000
Bank interest payable	44	85
Loan interest payable	10	6
Interest on tax payment	—	4
Unwinding of discount on decommissioning provision (Note 19)	92	85
Exchange rate losses	14	52
Bank charges	18	15
Loan arrangement fee	10	—
Interest rate swap fair value charge (Note 22)	1	15
	189	262

9 Taxation

	2011 £000	2010 £000
Current tax credit	—	(326)
Deferred tax credit (Note 18)	(923)	—
Deferred tax charge (Note 18)	1,446	589
	523	263

UK corporation tax is calculated at 30% (2010: 30%) of the estimated assessable profit for the year. Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	2011 £000	2010 £000
Profit/(loss) on ordinary activities per the accounts	291	(1,699)
Tax reconciliation		
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2010: 30%)	87	(510)
Expenses not deductible for tax purposes	28	2
Adjustment re deferred tax	408	771
Total tax charge	523	263

10 Loss per share

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

The Company's average share price for the year to 31 July 2011 was 20.29p (2010: 14.6p), above the exercise price of 3,142,142 of the 3,382,142 outstanding options. As a there was a loss in the period for both years the options are not considered dilutive.

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

	2011 £000	2010 £000
Losses		
Loss after tax from continuing activities	**(232)**	(1,962)
Loss for the year from discontinued operations	**(788)**	—
Loss for the year from continuing and discontinued operations	**(1,020)**	(1,962)
Weighted average number of shares		
for the purposes of basic eps	**105,418,814**	75,520,873
for the purposes of diluted eps	**105,929,247**	75,546,893

11 Intangible assets

	2011 £000	2010 £000
At 1 August	**9,751**	7,473
Additions	**1,597**	3,286
Exploration write-off	**—**	(1,008)
At 31 July	**11,348**	9,751

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

	2011 £000	2010 £000
Romania	**8,433**	7,191
France	**523**	308
UK PEDL143 (Holmwood)	**199**	186
UK PEDL150 (SW Lincoln)	**2,020**	1,904
UK PEDL180 (NE Lincs)	**68**	63
UK PEDL181	**105**	99
Total	**11,348**	9,751

Notes to the Financial Statements continued

11 Intangible assets (continued)

	2011 £000	2010 £000
Exploration write-off		
Egypt	–	738
Western Sahara	–	184
UK — PEDL222	–	55
UK — PEDL180/181 pre licence costs	–	31
Total	**–**	1,008

In 2010 as the licence areas in Western Sahara remained in force majeure throughout the year, the Board decided to write-down the intangible asset to nil value.

As there were no identified prospects in the PEDL222 concession, the Board also decided to write down the investment to nil value. In 2011 the licence was relinquished.

Within the PEDL150 concession, the Hykeham well was drilled in 2010. Though the likely forward plan is to plug and abandon the well, the investment has not been written off as prospectivity within the rest of the concession area, which is considered as one cost pool, is good.

As disclosed in Note 1, if it is not possible for the directors to secure adequate resources to fund the Group's ongoing liabilities, including the planned forward work programme (see Note 23), the carrying value of the assets of the Group including intangible exploration assets and the investment of the Company in its subsidiaries will require an impairment review.

12 Property, plant and equipment

Property, plant and equipment — Group

	Furniture & computers £000	Leasehold building £000	Producing fields £000	Total £000
Cost				
At 1 August 2009	39	437	7,335	7,811
Additions	16	—	444	460
At 31 July 2010	55	437	7,779	8,271
Additions	11	—	3,006	3,017
At 31 July 2011	**66**	**437**	**10,785**	**11,288**
Depreciation, depletion and impairment				
At 1 August 2009	15	77	2,165	2,257
Charge for year	10	8	480	498
Impairment	—	—	1,012	1,012
At 31 July 2010	25	85	3,657	3,767
Charge for year	17	7	330	354
Impairment	—	—	425	425
At 31 July 2011	**42**	**92**	**4,412**	**4,546**
Net Book Value				
At 31 July 2009	24	360	5,170	5,554
At 31 July 2010	30	352	4,122	4,504
At 31 July 2011	**24**	**345**	**6,373**	**6,742**

12 Property, plant and equipment (continued)

The producing fields referred to in the table above are the production assets of the Group, namely the oil fields at Crosby Warren and West Firsby, and the Group's interest in the Whisby W4 well, representing three of the Group's cash generating units.

The carrying value of each producing field was tested for impairment by comparing the carrying value with the value in use. The value in use was calculated using a discount rate of 10%. In 2011, as a result of the increase in the supplementary tax charge, there was an impairment at Crosby Warren of £257,000, (2010: £1,012,000) and at West Firsby £168,000 (2010: nil).

Property, plant and equipment — Company

	Furniture & computers £000	Leasehold building £000	Total £000
Cost			
At 1 August 2009	39	437	476
Additions	16	—	16
At 31 July 2010	55	437	492
Additions	11	—	11
At 31 July 2011	**66**	**437**	**503**
Depreciation			
At 1 August 2009	15	77	92
Charge for the year	10	8	18
At 31 July 2010	25	85	110
Charge for year	17	7	24
At 31 July 2011	**42**	**92**	**134**
Net Book Value			
At 31 July 2009	24	360	384
At 31 July 2010	30	352	382
At 31 July 2011	**24**	**345**	**369**

The property loan of £251,000 (2010: £273,000) described in Note 17 is secured against this building.

13 Investments — Company

Investment in subsidiaries

	2011 £000	2010 £000
At 1 August	**3,312**	3,312
Current year additions	**3**	—
31 July	**3,315**	3,312

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

Notes to the Financial Statements continued

13 Investments — Company (continued)

The results of the two 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 Resources Limited (this UK company undertakes exploration in the area of underground coal gasification); 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 net value of options over the shares of the Company issued to employees of subsidiary companies less any lapsed, unvested options.

14 Inventories — Group

	2011 £000	2010 £000
Oil in tanks	**43**	38

15 Trade and other receivables

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Current trade and other receivables				
Trade receivables	**438**	232	**—**	—
Other receivables	**128**	276	**38**	18
Prepayments	**229**	79	**208**	31
	795	587	**246**	49
Non-current other receivables				
Owed by Group undertakings (Note 25)	**—**	—	**12,472**	7,217

Group other receivables in 2010 includes a Romanian VAT debtor which was written off in 2011. Loans to subsidiaries are interest free and are repayable on demand but currently have no planned repayment date.

16 Trade and other payables

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Trade payables	**967**	1,214	**226**	215
Other payables	**50**	223	**—**	—
Accruals	**740**	360	**36**	246
	1,757	1,797	**262**	461
Derivative liability				
Interest rate swap	**56**	55	**56**	55

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

17 Borrowings

The Royal Bank of Scotland (RBS) multi-currency facility signed on 11 February 2011 provides an overdraft of up to £700,000. At 31 July 2011 the facility was not used (2010: overdraft of £479,000). The facility is due to be renewed 31 October 2011.

A term loan also provided by RBS was fully repaid on 31 January 2011. At 31 July 2010 this loan was drawn to £500,000 of which £400,000 was classified as short term.

The £975,000 ($1,600,000) Yorkville loan note was issued on 15 July 2011 and is repayable in tranches over 12 months.

A loan of £251,000 (2010: £273,000) secured against the Abingdon property is repayable over 11 years.

	Group		Company	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Loans repayable in less than 1 year				
Multi-currency facility	**—**	479	**—**	—
Term loan	**—**	400	**—**	—
Property loan	**21**	21	**21**	21
Loan note (Yorkville)	**975**	—	**975**	—
Total short term borrowing	**996**	900	**996**	21
Loans repayable in 1 to 2 years				
Term loan	**—**	100	**—**	—
Property loan	**22**	21	**22**	21
Total loans repayable in 1 to 2 years	**22**	121	**22**	21
Loans repayable in 2 to 5 years				
Term loan	**—**	—	**—**	—
Property loan	**68**	66	**68**	66
Total loans repayable in 2 to 5 years	**68**	66	**68**	66
Loans repayable after 5 years				
Property loan	**140**	165	**140**	165
Total loans repayable after 5 years	**140**	165	**140**	165
Total long term borrowing	**230**	352	**230**	252

Notes to the Financial Statements continued

18 Deferred Tax — Group

The Group has recognised a non-current deferred tax asset of £930,000 (2010: nil) in respect of losses arising in the year, within the UK ring fence. It is expected that these losses will be utilised against profits arising in the 2012 financial year.

Recognised deferred tax liability:

	2011 £000	2010 £000
As at 1 August	**3,240**	2,651
Charged to statement of comprehensive income	**1,446**	589
At 31 July	**4,686**	3,240

The Group has a net deferred tax liability of £4,686,000 (2010: £3,240,000) arising from accelerated capital allowances.

Unrecognised deferred tax asset:

	2011 £000	2010 £000
Accelerated capital allowances	**(158)**	(1,298)
Trading losses	**1,181**	2,500
Net deferred tax asset	**1,023**	1,202

The Group has a net deferred tax asset of £1,023,000 (2010: £1,202,000), which arises mainly in relation to overseas trading losses of £3.4 million and Holding Company losses of £0.5 million, that have not been recognised in the accounts as the timing of the utilisation of the losses is considered uncertain.

19 Long term provision — Group

	2011 £000	2010 £000
As at 1 August	**1,395**	1,137
Charged to statement of comprehensive income	**92**	85
Added to intangible non-current assets	**—**	173
Added to property, plant & equipment non-current assets	**83**	—
At 31 July	**1,570**	1,395

The addition during the year is the decommissioning provision for the West Firsby 9 well (2010: Hykeham well).

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. Hykeham is the only well where decommissioning is anticipated before 2020.

20 Called up share capital

	2011 £000	2010 £000
Allotted, called up and fully paid		
130,077,728 ordinary shares of 1p each (2010: 82,206,587)	**1,301**	822

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

On 14 October 2010 the Company issued 13,360,810 shares at 11.5p, raising £1,452,000 net of broker commission. On 24 December 2010 the Company issued a further 18,339,333 shares at 15p, raising £2,615,000 net of broker commission. On 28 June 2011 the Company issued a further 16,170,998 shares at 13p, raising £1,853,000 net of broker commission.

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 2011 of £2,868,000 (2010: £2,868,000).

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
Foreign exchange reserve	Reserve arising on translation of foreign subsidiaries
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

21 Share based payments

There are 3,382,142 ordinary 1p share options outstanding (2010: 3,382,142). These are held by certain members of the Board: WH Adamson 250,000; RJHM Corrie 500,000; and P Greenhalgh 1,875,000; employees of the Group 400,000 and Astaire Securities plc 357,142.

Of the outstanding options, the 357,142 granted to Astaire Securities plc on 26 April 2010 are exercisable at any time up to 26 April 2012. The remaining 3,025,000 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.

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 Nov 2004	1 Dec 2006	8 May 2008	23 Oct 2009	17 Apr 2010	26 Apr 2010
Number of options	160,000	80,000	1,750,000	785,000	250,000	357,142
Share price at grant	32.5p	21.5p	21.5p	13.3p	14p	14.2p
Exercise price	25p	25p	20p	16p	14p	14p
Volatility	40%	50%	50%	60%	70%	70%
Dividend yield	nil	nil	nil	nil	nil	nil
Risk free investment rate	4.80%	4.90%	4.42%	2.74%	2.82%	1.28%
Option life (years)	6.25	6.25	6	6	5	1.5
Fair value per share	16.76p	10.16p	10.96p	6.58p	7.79p	4.37p

Volatility has been based on the Company's share price volatility since flotation.

Based on the above fair values the charge arising from employee share options was £53,000 (2010: £73,000).

Notes to the Financial Statements continued

21 Share based payments (continued)

In the year no options were granted, forfeited or expired (2010: granted 1,392,142; forfeited 360,000 and expired 1,200,000). No options were exercised (2010: nil).

	2011 Number of options	2011 Average exercise price	2010 Number of options	2010 Average exercise price
Outstanding at the start of the year	**3,382,142**	**18.35p**	3,550,000	18.35p
Granted	**–**	**–**	1,392,142	15.13p
Forfeited	**–**	**–**	(360,000)	22.22p
Expired	–	–	(1,200,000)	25p
Outstanding at the end of the year	**3,382,142**	**18.35p**	3,382,142	18.35p
Exercisable at the end of the year	**2,025,473**	**19.02p**	823,332	21.46p

22 Financial instruments

The Group's and Company's financial instruments comprise cash and cash equivalents, bank borrowings, loans, interest rate derivatives, and items such as trade and other receivables and trade and other payables which arise directly from its operations. Europa's activities are subject to a range of financial risks the main ones being 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 2011 trade receivables were £438,000 (2010: £232,000) representing one month of oil revenue (2010: 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 short term deposit with Royal Bank of Scotland. The maximum credit exposure in the year was £479,000 (2010: £344,000).

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. The Company has in place a £0.7 million flexible multi-currency facility with its bankers which can be utilised in either Sterling or foreign currency via an overdraft. At the year end there was no overdraft (2010: £479,000). An amount of £975,000 is owed at 31 July 2011 on the Yorkville SEDA backed loan (2010: £500,000 on the term loan from RBS).

As explained in Note 1, the directors have not yet secured the necessary funds to meet the Group's liabilities, including the planned forward work programme (see Note 23). The directors consider that based upon income projections, the efforts being made to reduce liabilities through trade arrangements, use of the SEDA facility and an expectation to renew the bank facility, the Company and the Group will be going concerns for twelve months from the date of approval of these financial statements.

If it is not possible for the directors to secure adequate resources, the carrying value of the assets of the Group including intangible exploration assets and the investment of the Company in its subsidiaries are likely to be impaired. In addition, other costs and write downs may arise in the course of seeking to fund the liabilities of the Group.

The Group and Company monitor their levels of working capital to ensure they can meet liabilities as they fall due. The following table shows the contractual maturities of the Group's financial assets and liabilities.

22 Financial instruments (continued)

Liquidity risk (continued)

	Trade and other receivables £000	Trade and other payables £000	Derivative £000	Short-term borrowings £000	Long-term borrowings £000
At 31 July 2011					
6 months or less	682	(1,684)	(6)	(925)	—
6-12 months	113	(73)	(6)	(71)	—
1-2 years	—	—	(10)	—	(22)
2-5 years	—	—	(20)	—	(67)
Over 5 years	—	—	(14)	—	(141)
Total	795	(1,757)	(56)	(996)	(230)
At 31 July 2010					
6 months or less	346	(1,687)	(6)	(689)	—
6-12 months	54	(110)	(5)	(211)	—
1-2 years	187	—	(9)	—	(121)
2-5 years	—	—	(19)	—	(66)
Over 5 years	—	—	(16)	—	(165)
Total	587	(1,797)	(55)	(900)	(352)

The following table shows the contractual maturities of the Company's financial assets and liabilities, all of which are measured at amortised cost.

	Other receivables £000	Trade and other payables £000	Derivative £000	Short-term borrowings £000	Long-term borrowings £000
At 31 July 2011					
6 months or less	154	(262)	(6)	(925)	—
6-12 months	92	—	(6)	(71)	—
1-2 years	—	—	(10)	—	(22)
2-5 years	—	—	(20)	—	(67)
Over 5 years	—	—	(14)	—	(141)
Total	246	(262)	(56)	(996)	(230)
At 31 July 2010					
6 months or less	42	(409)	(6)	(11)	—
6-12 months	7	(52)	(5)	(10)	—
1-2 years	—	—	(9)	—	(21)
2-5 years	—	—	(19)	—	(66)
Over 5 years	—	—	(16)	—	(165)
Total	49	(461)	(55)	(21)	(252)

Cash and cash equivalents in both Group and Company are all available at short notice.

Trade and other payables do not normally incur interest charges. There is no difference between the fair value of the trade and other payables and their carrying amounts. Borrowings bear interest at variable rates, except for the property loan of £251,000 (2010: £273,000) 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 £700,000 multi-currency facility is secured over the assets of Europa Oil & Gas (Holdings) plc and Europa Oil & Gas Limited. Interest is charged on the multi-currency facility at base rate plus 3% and on the Yorkville SEDA backed loan at 8%.

A loan of £251,000 (2010: £273,000) is secured over a long lease property and is repayable over 11 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 £56,000 (2010: £55,000) 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 statement of comprehensive income.

Fair value of swap

Long term forward Sterling base rate	2011 £000	2010 £000
1%	**56**	63
3%	**33**	37
5%	**10**	11

The fair value of the interest rate swap has been based on an estimate provided by the Company's bankers which meets the definition of tier 2 disclosures under the provisions of International Financial Reporting Standard 7 "Financial Instruments: Disclosures".

Commodity price risk

The selling price of the Group's production of crude oil is set at a small discount to Brent prices. 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 movements 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 2011 $/bbl	PBT 2011 £000	Price 2010 $/bbl	PBT 2010 £000
Highest	Apr 2011	121.70	1,131	83.40	(1,313)
Average		99.43	291	73.95	(1,699)
Lowest	Aug 2010	75.60	(614)	66.10	(2,034)

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	Rate $/£	PBT £000
Highest	Apr 2011	1.665	166	1.6478	(1,874)
Average		1.611	291	1.5584	(1,699)
Lowest	Nov 2010	1.557	418	1.4459	(1,467)

22 Financial instruments (continued)

Foreign exchange risk (continued)

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.

		Group		Company	
		2011	2010	**2011**	2010
Currency	**Item**	**£000**	£000	**£000**	£000
Euro	Cash and cash equivalents	**9**	16	**9**	16
	Trade and other receivables	**7**	—	**7**	—
	Trade and other payables	**(182)**	(497)	**(7)**	(1)
US Dollar	Cash and cash equivalents	**486**	394	**—**	—
	Trade and other receivables	**611**	402	**—**	—
	Trade and other payables	**(63)**	(120)	**—**	(2)
	Yorkville loan note	**(975)**	—	**(975)**	—
Total		**(107)**	195	**(966)**	13

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 2011 the Group had contractual commitments to drill 2 wells in Romania and to acquire seismic in the UK, France and Romania.

Europa's share of costs for these wells and other exploration activities over the next year is approximately £4 million. This commitment is expected to be met from cash generated from production, borrowings referred to in Note 17, and the SEDA facility.

An appraisal/production well at Osmets (Tarbes Val d'Adour, France) would be drilled in 2013 subject to reaching agreement with a partner. 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 £17,000 and increases annually in line with the retail price index. The Crosby Warren lease runs until December 2022 and can be determined on 3 months notice. The annual cost is £20,000 and is currently under review.

Notes to the Financial Statements continued

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.

On 14 September 2010 ES Syba provided a £90,000 loan to the Company. The loan was repaid on 15 February 2011 together with £5,000 of interest.

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

	2011 £000	2010 £000
Europa Oil & Gas Limited	**881**	906
Europa Oil & Gas SRL	**40**	24
Europa Oil & Gas Resources Limited	**3**	—
Total	**924**	930

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

	2011 £000	2010 £000
Europa Oil & Gas Limited	**9,240**	5,700
Europa Oil & Gas SRL	**3,203**	1,493
Europa Oil & Gas Resources Limited	**29**	24
Total	**12,472**	7,217

26 Post reporting date events

HGD Mackay was appointed as a director of the Company on 6 September 2011, and on 10 October 2011 he assumed the position of CEO. In connection with this appointment he was granted options over 5 million ordinary shares in the Company at an exercise price of 13p.

The Horodnic-1 well on the Brodina concession, Romania spudded on 11 October 2011.

Award of two Licensing Options over acreage in the 2011 Irish Atlantic Margin Round 17 October 2011.

PA Barrett resigned as a director with effect from 21 October 2011.

Directors and Advisers

Company registration number	5217946
Registered office	11 The Chambers Vineyard Abingdon OX14 3PX
Directors	WH Adamson — Non-Executive Chairman CW Ahlefeldt-Laurvig — Non-Executive RJHM Corrie — Non-Executive PA Barrett — Managing Director P Greenhalgh — Finance Director HGD Mackay — Chief Executive Officer
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 adviser and broker	finnCap Limited 60 New Broad Street London EC2M 1JJ
Registrar	Computershare Investor Services plc PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH

Glossary

APB	Auditing practices board
bbl	A US barrel (equivalent to 159 litres)
bcf	Billion cubic feet
bopd	Barrels of oil per day
BPEL	Blackland Park Exploration Limited
CEO	Chief Executive Officer
CGU	Cash generating unit
CNG	Compressed natural gas
Company	Europa Oil & Gas (Holdings) plc
CW	Crosby Warren wellsite
Frac	Hydraulic fracturing — a method to increase oil extraction rates
Group	Company and its subsidiaries
HPHT	High pressure, high temperature
IAS	International Accounting Standard
IFRS	International financial reporting standard
LPS	Loss per share
mmbo	Million barrels of oil
mmscfpd	Million standard cubic feet per day
PEDL	Petroleum Exploration and Development Licence
RBS	Royal Bank of Scotland
Ring Fence	The area of the UK and UK Continental Shelf within which profits from oil extraction activities are subject to additional tax charges
SEDA	Standby Equity Distribution Agreement
SIPP	Self invested pension plan
Spud	To commence drilling a well
tcf	Trillion cubic feet
UCG	Underground coal gasification
SADR	Sahrawi Arab Democratic Republic — claims sovereignty over entire Western Sahara territory
WF	West Firsby Wellsite
Yorkville	An investment fund managed by Yorkville Advisors UK LLP

Created by
Jonesandpalmer
www.jonesandpalmer.co.uk
empowering corporate communications

www.europaoil.com

Europa Oil & Gas (Holdings) plc
11 The Chambers
Vineyard, Abingdon, OX14 3PX

Tel: +44 (0)1235 553266
Fax: +44 (0)1235 467369