EUROPA
Oil & Gas

EUROPA OIL & GAS (HOLDINGS) PLC
Annual Report and Accounts for the year ended 31 July 2012

Exploration **Discovery** **Production**

Europa Oil & Gas (Holdings) plc is an AIM listed exploration and production company focused on Europe. It offers an attractive mix of highly prospective exploration assets, including the Berenx gas appraisal project onshore France, two substantial prospects in the Irish Atlantic Margin as well as interests in three producing assets onshore UK.

Please visit our website for more information. www.europaoil.com

OUR BUSINESS
GOVERNANCE
FINANCIAL STATEMENTS
ADVISERS

Operational highlights

- Average daily UK production up 18% to 200 boepd (2011: 169 boepd)
- CPR confirms 48.2 mmboe net mean unrisked resource for UK (excluding Holmwood) and Berenx Deep in onshore France
- Identified exciting shallow gas play in Béarn des Gaves permit, France

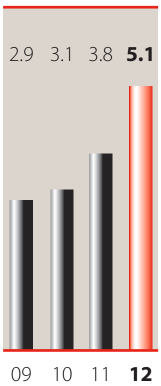
Financial performance

- Revenue up 34% to £5.1m (2011: £3.8m)
- Pre-tax profit before impairment and exploration write-down £1.2m (2011: £0.7m)
- Net loss £11.3m (2011: £0.2m) after exploration write-down of £12.5m in respect of Romania and PEDL150
- Cash generated from continuing operations £2.1m (2011: £0.7m)
- Net cash £0.2m (2011: £1.9m)
- Repaid £1m term loan

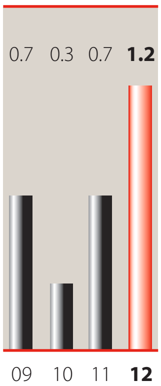
Post reporting date events

- Two large prospects identified in South Porcupine Basin, offshore Ireland
- Holmwood planning appeal in Surrey dismissed, next steps being considered

Revenue (£'m)



Adjusted pretax profit (£'m)[1]



1 Pretax profit for continuing operations, excluding exploration write-off and impairment

Where we operate

EXPLORATION AND PRODUCTION COMPANY FOCUSED ON EUROPE, MEDITERRANEAN AND ATLANTIC MARGIN

Europa holds a varied asset portfolio across four EU jurisdictions and in the Sahrawi Arab Democratic Republic (SADR). These range from oil producing assets, through exciting discoveries at the appraisal stage, to exploration projects in both new and 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	Europa	75%	Exploration
		PEDL180	Wressle	Egdon	33%	Exploration
		PEDL181	Caister/shale	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	Mullen	Europa	100%	Exploration
		LO 11/8	Kiernan	Europa	100%	Exploration
France	Aquitaine	Béarn des Gaves	Berenx (deep and shallow)	Europa	100%	Exploration/Appraisal
		Tarbes val d'Adour	Osmets/Jacque	Europa	100%	Exploration/Appraisal
Romania	Carpathians	EIII-4 Bacau		Raffles	19%	Exploration
		EPI-3 Brates	Barchiz	Europa	100%	Exploration
SADR	Tindouf	Bir Lehlou		Europa	100%	Exploration
	Aaiun	Hagounia		Europa	100%	Exploration

NEW PROSPECTS IN THE IRISH ATLANTIC MARGIN

Two sizeable prospects, Mullen and Kiernan, were identified in the Lower Cretaceous clastic play in the Irish Atlantic Margin in September 2012. Europa owns a 100% equity interest in Licensing Options 11/07 and 11/08 which cover these prospects.

The two Licensing Options cover two four-block parcels in Quads 43 and 54 situated off the west coast of Ireland in the South Porcupine Basin. The licences cover a total area of approximately 2,000 km^2 in water depths of between 700 metres and 2,000 metres.

The initial technical work and prospect mapping exercise has exceeded our expectations. Two prospects have been indentified: Mullen in LO 11/7 and Kiernan in LO 11/8. Seismic mapping shows potential for large stratigraphic closures of up to 120 km^2 in size in the case of Mullen and 244 km^2 in the case of Kiernan. Both prospects are part of the Lower Cretaceous clastic play; a hydrocarbon play proven by the Burren oil discovery in the North Porcupine Basin.

The size of these prospects warrants further priority investigation. A work programme has been embarked upon that will provide volumetric estimates in due course. Additional seismic data will be required to further de-risk the prospects and upgrade Mullen and Kiernan to drillable status.

The Mullen prospect lies in approximately 1,000 metres water depth with the Lower Cretaceous reservoir targets lying 3,850 metres below the mud line (bml). Mullen is located 200 km offshore from SW Ireland, 140 km SSW from the Lower Cretaceous Burren oil discovery, 35/8-1 and 50 km NW from the ExxonMobil operated Dunquin exploration well which is due to be drilled in Q1 2013 to evaluate a Middle Cretaceous carbonate play.

The Kiernan prospect lies in 1,780 metres water depth with the Lower Cretaceous reservoir targets at a depth of 4,220 metres bml. Kiernan is located 145 km offshore from SW Ireland, 200 km SSE from the Burren oil discovery and 65 km SE from Dunquin.

The Company's current focus is to mature the large Lower Cretaceous stratigraphic prospects at the Mullen and Kiernan locations and to identify other submarine fan systems similar to those that have been proved to be successful elsewhere along the Atlantic Margins. A joint venture partner is being sought for both licences.

Chairman's statement

We are now well placed to progress our assets further along the development curve.

Key highlights

- Production & revenue growth
- Wressle has potential to transform Europa
- Progress on French permits
- Completed and published CPR
- Strengthened technical team

Dear shareholders,
The year under review has served to highlight the significant benefits of being an oil and gas company focused on Europe with a multistage portfolio of licences, including both production in the UK as well as highly prospective exploration in France and the Irish Atlantic Margin. While adverse macroeconomic conditions have prevailed for much of the last twelve months impacting business activity across a wide range of sectors, Europa's UK producing assets have had an excellent year, averaging 200 boepd, an 18% increase on last year's 169 boepd. Together with a 10.5% increase in the average oil price achieved over the course of the year, our full year revenues show a 34% increase to £5.1million.

The wider financial conditions notwithstanding, the £5.1million in revenues has allowed us to progress what we hope will become our future producing assets further along the development curve. In the UK, we funded our share of costs for acquisition and processing of 49km^2 of 3D seismic survey over our 33% owned PEDL180 and PEDL182 licences. We rate the Wressle and Broughton prospects on the licences as both having a one in three chance of making a commercial discovery which would lead to a material increase in our production. The licences are operated by Egdon Resources and a well is expected to be drilled on one of the two prospects in the first quarter of 2013. Thanks to the strong performance of our UK production, Europa is fully funded to cover its share of drilling costs.

Progress has also been made on our French permits. Earlier in the year, re-evaluation of existing seismic and well data resulted in our in-house technical team identifying a previously unrecognised shallow gas play on the already highly prospective Béarn des Gaves permit in South West France that lies adjacent to the giant gas fields of Lacq and Meillon. This is a significant development for the Company with positive implications for the on-going farm-out process for this 100% owned permit.

The prospectivity of the deep gas play in the Béarn des Gaves permit (Berenx Deep) has been known for decades following the drilling of wells in the 1960s and 1970s combined with the existence of historic seismic data. However, at 5,500 metres below the surface, the cost of one well is estimated at €40-50million which has effectively limited the number of potential partners, an issue exacerbated by the challenging economic climate. By contrast, the cost of drilling the newly identified shallow prospect is considerably lower at €4-5 million and therefore affordable to a much larger pool of oil and gas companies. As a result, our strategy regarding Berenx has changed so that we are now looking to drill and prove up the shallow prospect first, which we estimate holds up to 59 bcf of gas, before addressing the deeper prospectivity. With this strategy in mind, we are in active discussions with regards to farming out Berenx, both shallow and deep.

In October 2011, Europa was awarded two exploration Licensing Options in the Irish Atlantic Margin. The waters around Ireland have been generating much excitement recently following drilling success in the Celtic Sea and upcoming wells offshore West of Ireland. Since acquiring the acreage, our technical team has been busy mapping the two four-block parcels located in the South Porcupine Basin which cover an area totalling 2,000 km^2. This work has resulted in the identification of two potentially large prospects in the Lower Cretaceous clastic play.

Further work is required to mature these prospects to drillable status, however, we are very encouraged by our findings to date. As with our French permits, we are actively seeking to secure a farm-in partner.

During the year, we published the findings of a Competent Person's Report ('CPR') drafted by ERC Equipoise Limited ('ERC'), which provides an independent assessment of Europa's UK and French assets. This was the first time a third party has reviewed the exploration assets and the results are highly encouraging. ERC estimated our core recoverable reserves and potential resources at 48.2 mmboe. While we believe this figure to be on the conservative side, we are happy to accept this as a solid base from which we are confident we can build on as we progress our UK, French and Irish prospects along the development curve.

During the period, Hugh Mackay took over as Chief Executive Officer. Hugh is a geologist by profession with over 30 years' experience having held senior posts at BP, Enterprise Oil, The Peak Group, AGR Petroleum and Avannaa Resources. Hugh is responsible for putting together the technical team on whose excellent work I have already commented.

In addition to our exploration licences, the team has been working hard on our UK producing assets with the remit to increase production and where possible extend the life of the fields by implementing a series of initiatives aimed at improving operational efficiency and recovery rates. While it is too early to gauge the long term effects, the results of the work by our operational team on the ground can nevertheless be seen in the 19% increase in year on year oil volumes. We are pleased to have delivered on our forecast production for the year of 200 boepd.

Hugh has also spearheaded an in depth review of our entire asset base, a process that culminated in the commissioning of the CPR. Thanks to the review and CPR, our understanding of the potential of our licences and, by definition, the Company as a whole, has increased considerably. At the very least, the CPR serves as a benchmark in our on-going discussions with potential partners, particularly with regards to Berenx.

Outlook

Having an asset base at various stages of development is highly beneficial to the Company. As a result of our existing production, our exploration activity in the next twelve months is not wholly dependent on our securing a farm-out deal. As mentioned earlier, we are fully funded to drill a well on PEDL180 or PEDL182 in the UK. In addition, our three producing fields in the East Midlands have been assigned mean recoverable reserves of 0.65 mmbo by ERC. We believe there is scope to build on this but as it stands this third party estimate is nevertheless a valuable asset. Meanwhile, ERC have estimated Berenx Deep has a net mean contingent resource of 277 bcf. Combined, our UK and French assets provide tremendous asset backing to a Company of our size, which underpins our valuation.

The actions taken over the course of the year under review have strengthened my own and the Board's belief in the potential of Europa's asset base and our ability to create substantial value for all shareholders. We recognise it is our task to realise this potential.

Our strategy

Europa's objective is to become listed in the top quartile on AIM within 5 years. The threshold for this quartile is a market capitalisation greater than £100 million.

To achieve this objective Europa will drill up its existing exploration and appraisal portfolio in the UK, France and Ireland. Some of these activities will be funded from cashflow; others by farm-out.

New ventures will be added to the portfolio. This will be a combination of ground floor licence application and, where appropriate, by farm-in. Strategic partnerships will be considered as a means of accelerating portfolio growth, drill up activity and achieving the objective.

Europa's areas of interest are Europe, the Mediterranean, and the Atlantic margin. Access to good prospectivity, preferably on ground floor terms, is key and opportunities outside the AOI will be considered.

Drilling is key to the long term development of all oil and gas companies no matter what size they are and, with this in mind, the prospect of commencing drilling in the East Midlands in early 2013 is very much welcome. Subject to the results of this well, we, along with our partners, will consider drilling a follow up. In the meantime, we continue to work hard to move all our licences forward and remain on the look out to add additional projects to our portfolio that meet our investment criteria. Updates on our progress will be provided as and when it is appropriate to do so.

Finally, I would like to thank the management team, directors and advisers for their hard work during the year and also to our shareholders for their support over the last twelve months.

WH Adamson
Chairman

INTERVIEW WITH CEO HUGH MACKAY ON THE CPR

On 1st June 2012, Europa published a Competent Person's Report (CPR) undertaken by ERC Equipoise. CEO Hugh Mackay discusses the findings of the CPR.

Q: You commissioned a Competent Person's Report (CPR) this year – what was the rationale for that?

A: It's natural that management believes in the Company's assets – but it's prudent to get a 3rd party to review them and give their independent assessment of risk and reward. It is also our intent to provide the market with complete clarity on our asset base so we have made the entire CPR publicly available on our website.

Q: Why were ERC Equipoise chosen to undertake the CPR?

A: ERC Equipoise is a well established provider of independent reserves and resources reports with a strong reputation in the upstream oil industry.

Q: And what did the CPR say?

A: At 48.2 mmboe the CPR's estimate of our core recoverable reserves and potential resources provides a solid asset backing to our current market valuation and will also play a key role in our ongoing negotiations with potential partners, specifically regarding our French permits.

Q: Were there any areas of disagreement with ERC Equipoise?

A: The only significant difference in interpretation concerned resources for the Berenx Deep structure. This was largely due to challenges mapping in a thrust belt using various vintages of seismic data. Europa had more confidence mapping in this complex terrain resulting in larger structural closures and consequently resources. The CPR estimates Berenx Deep holds a net mean contingent resource of 277 bcf whereas we believe the figure to be 524 bcf. In the interests of consistency we have nonetheless elected to proceed with ERC's more conservative reserves figures for Berenx in our public documents and in our subsequent net asset value calculations.

Q: The CPR covered the UK and French assets but why did the CPR not include volumetrics for Berenx shallow or prospects on the Tarbes permit?

A: Additional data would be required before these assets could be included in the CPR. ERC did suggest that the Berenx shallow structure is a lead with gas initially in place of 75 bcf. Europa considers this a prospect with gross mean unrisked resources of 59 bcf.

Q: ERC classified Berenx Deep as having 277 bcf of contingent resources, can you explain the significance of the term 'contingent resources'?

A: The SPE-PRMS Guidelines define contingent resources as "those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not considered currently recoverable due to one or more contingencies."

Berenx Deep is a known accumulation that has flowed gas to surface. The definition of contingent resources is significant for Berenx since it acknowledges that geological risk has been eliminated, it is an appraisal project. Commercial recovery is contingent on the ability to predict and access natural fracture systems capable of delivering commercial rates of production.

Q: Did the CPR's volumetrics for PEDL180/182 take account of the 3D seismic acquired earlier in the year?

A: No they did not. The processed 3D seismic did not become available until May and was too late to include in the report, indeed interpretation of the dataset is ongoing. We anticipate confirming new resources based on the new 3D dataset later in 2012.

Q: The CPR estimate for remaining reserves at the three UK producing fields at 0.65 mmbo. Is there scope to increase this?

A: Yes there is. The CPR indicates 3P reserves of 1 million barrels; most of the additional 350,000 barrels in the "possible" category is located in the West Firsby field. We are actively evaluating ways of accessing this upside.

Q: What next?

A: I am delighted to have received this independent assessment of Europa's UK and French licences which supports our view that our UK exploration assets at Wressle and Broughton each have the potential to create significant value for shareholders, while Berenx in France could be the company maker we believe it is. Since completing the CPR two new prospects, Mullen and Kiernan, have been identified offshore Ireland. Technical work to de-risk the prospects is ongoing and additional seismic acquisition will be required to mature these prospects to drillable status. Mullen and Kiernan can be included in a future CPR either as individual projects or as part of a company-wide review.

Please visit http://www.europaoil.com/news.aspx to read the full CPR.

A STRONG ASSET INVENTORY READY TO BE UNLOCKED

Europa's business comprises three core strands: production, appraisal and exploration and these activities take place in four European jurisdictions: UK, France, Ireland and Romania and in the Sahrawi Arab Democratic Republic.

The Company continues to evaluate new venture opportunities in Europe, Mediterranean and Atlantic Margins to strengthen its asset base. The current licence portfolio is summarised in the table on page 3.

Operational review
Operations and development

United Kingdom

Highlights

- Achieved production target of 200 boepd.
- Wressle or Broughton well expected early 2013.

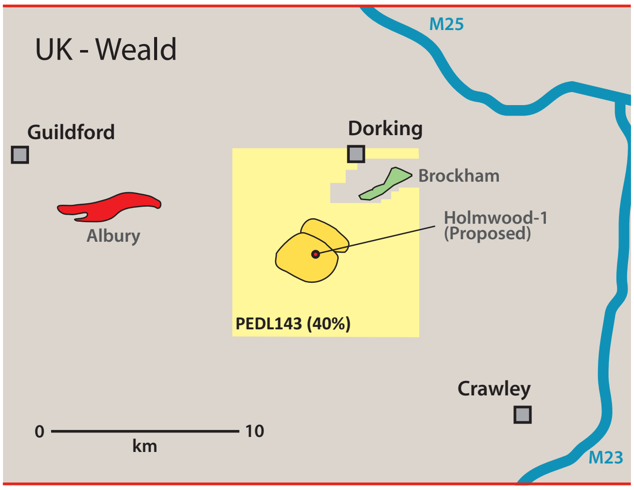
United Kingdom - Exploration
NE Lincolnshire

PEDL180 33.3% (Wressle)
PEDL180 covers an area of 100 km^2 in the East Midlands Petroleum Province south of the Crosby Warren field. Europa has an equal working interest share in the block with its partners Egdon Resources and Celtique Energie. The Wressle prospect has estimated mean gross unrisked recoverable resources of 2.41 mmbo. 49 km^2 of 3D seismic acquisition covering PEDL180 and PEDL182 has been processed. Drilling at either Wressle or Broughton is targeted for early 2013.

PEDL182 33.3% (Broughton)
To the north, PEDL182 is an area of 40 km^2 with the same equity structure as that of PEDL180. The Broughton prospect was previously drilled by BP and flowed oil. Broughton has estimated mean gross unrisked recoverable resources of 1.85mmbo.

PEDL150 75% (Hykeham)
To the south west of Lincoln, PEDL150 covers 110 km^2. Europa has a 75% interest, the balance being held by Valhalla. The Hykeham well was drilled in 2010. Despite encountering potential oil pay, the well failed to flow oil on test. The well results have been comprehensively reviewed and it is clear that failure to flow is due to extremely poor reservoir quality and the well will be plugged and abandoned. The Board has further decided to write-down the carrying value of the PEDL150 block, resulting in an Income statement charge of £2.1 million.

Dorking area



PEDL143 40% (Holmwood)
The PEDL143 licence covers an area of 92 km^2 of the Weald Basin, Surrey. Europa has a 40% working interest in the licence with partners Egdon Resources 38.4%, Altwood Petroleum 1.6%, and Warwick Energy 20%. The Holmwood prospect is a Jurassic sandstone project with a relatively low geological risk profile. It has mean gross recoverable resources of 5.64 mmbo. Europa considers Holmwood to be one of the best undrilled exploration prospects onshore UK.

The prospect lies south of Dorking within the Surrey Hills AONB and an unsuccessful application to construct a temporary exploration well on the site was made in 2011. An appeal to overturn the decision was heard at a public inquiry in July 2012. The appeal was dismissed on 26 September 2012. The partnership is considering future steps with the licence.

United Kingdom - Production

- West Firsby (WF) 100%
- Crosby Warren (CW) 100%
- Whisby W-4 well 65%

The three UK fields produced an average of 200 boepd in the period. The 19% increase in full year oil volumes to 72,360 barrels compared to the previous year is partly a result of the WF-9 well at West Firsby coming on stream. In addition, our operations team has implemented a series of initiatives aimed at improving operational efficiency that have contributed to a reduction in downtime and in turn, a significant increase in the number of barrels recovered during the year.

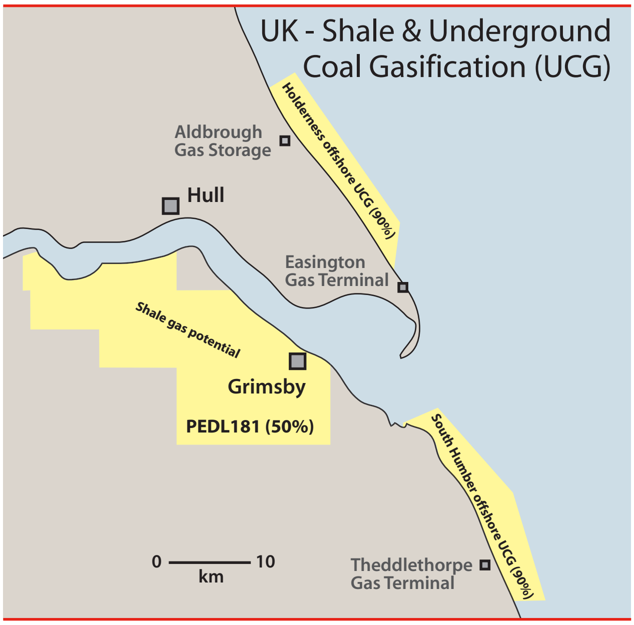
This strong performance was achieved despite unscheduled downtime in December 2011 caused by a hole in a section of the WF-7 tubing. The workover programme was completed on schedule, keeping the effect of the shut-in on overall production to a minimum.

Operational review
Operations and development

In connection with our review of assets, the Company considered the potential value in fracking the CW-1 well. A technical review of pressure data recovered from the well in early 2012 indicated that the risks clearly outweighed possible increases in production and it was therefore decided not to frack the well. The Board further decided to record a £785,000 impairment charge against the Crosby Warren assets.

Current 2P producing reserves are estimated at 0.65mmbo.

United Kingdom – Unconventional resources



Underground Coal Gasification (UCG) 90%

In August 2010, Europa was awarded two licences by the UK Coal Authority to investigate the potential for underground coal gasification ('UCG') of virgin coals located near offshore, along the eastern coast of England. Europa has a 90% interest in the licence with Oxford Energy Consulting Limited holding the remaining 10%.

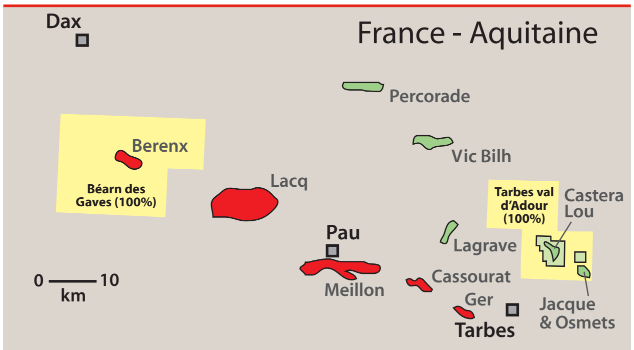
PEDL181 50% NE Lincolnshire

Europa holds licences covering an area of over 600 km^2 in the Humber Basin that have the potential for both conventional oil and gas resources at Caister and possibly also for shale gas resources held in Carboniferous basinal black marine shales known to be 120m thick in the region.

France

Highlights

- CPR assesses Berenx deep prospect at 277 bcf mean contingent resource
- Berenx shallow gas prospect identified with 75 bcf gas in place



Europa holds 100% interests in two permits with both appraisal and exploration potential in the Aquitaine Basin, adjacent to the producing Lacq-Meillon gas fields. The permit renewal process started during the financial year and the Company is actively engaged with the relevant French authorities. We did not fully meet our expenditure commitments in the first phase of either permit, and as a result there is a risk that they will not be renewed. But, based on correspondence received to date from the authorities, we have a reasonable expectation that both permits will be renewed.

Béarn des Gaves 100%

The Berenx appraisal project, located in the heartland of the French oil industry in the Aquitaine basin, has previously been explored and drilled by EssoRep. Two wells, Berenx-1 (1969) and Berenx-2 (1972), both encountered strong gas shows over a 500m thick gas bearing zone. In 1975 Berenx-2 was re-entered, drill stem tested and flowed gas to surface. The carbonate reservoir is similar to the nearby 9 tcf Lacq Field and 2 tcf Meillon Field.

Europa possesses all available data for both wells. Good quality 2D seismic exists for the licence as well as a reprocessed 3D seismic dataset covering the area between Berenx and Lacq. Europa's technical work indicates that the original Berenx wells were drilled on the western edge of a sizeable structure which could hold in excess of 500 bcf of recoverable gas resources. In the recent Competent Person's Report, ERC Equipoise estimated gross mean unrisked resources of 277 bcf for the deep Berenx gas play. The difference between Europa's and ERC's assessment of resources reflects the confidence of each party in mapping in a geologically complex terrain, Europa was able to map a larger area of closure and as a consequence larger resources.

The project also benefits from being located only 20 km from the Lacq Field, which potentially provides a straightforward export route, allowing gas to be processed in an existing facility with spare capacity.

Re-evaluation and interpretation of existing seismic and well data on the permit has resulted in the identification of a previously unknown shallow gas play. Previous exploration on the concession had focused only on deep lying gas prospects.

In the CPR, ERC Equipoise suggested gas in place at Berenx shallow of 75 bcf. Europa estimates gross mean unrisked gas resources of 59 bcf. We have identified new shallow prospectivity in the permit area and information about these additional prospects will be released in due course.

Current activity on the licence is focused on undertaking a detailed structural analysis and geological modelling which will provide a predictive model for the orientation and density of fracture systems in the carbonate reservoirs.

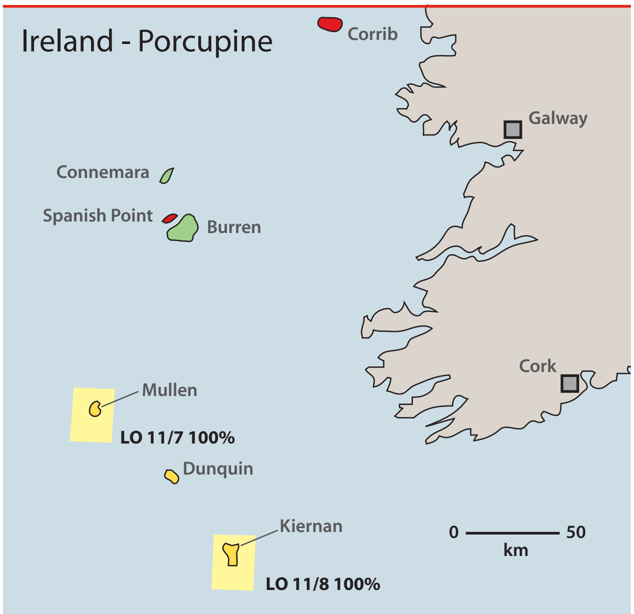
Our strategy for the Béarn des Gaves permit is to target the shallow gas play and drill a well to deliver a commercial flowrate and on the back of success to further explore the shallow prospectivity and undertake work to de-risk the Berenx deep gas appraisal project.

Tarbes Val d'Adour 100%
The Tarbes Val d'Adour permit contains several oil accumulations that were previously produced by Elf but were abandoned in 1985 due to low oil prices. Two fields, Jacque and Osmets, were drilled using vertical wells which generated modest production. At its peak in 1982, Osmets produced up to 50 bopd while peak production at Jacque reached almost 30 bopd in 1981. Europa commissioned the French Geological Survey to map the potential re-development area of the Osmets and Jacque fields from a reprocessed 2D data set. This work is now complete.

Europa intends to farm-out this permit and, with a partner, drill a re-development well on one of these fields.

Ireland

Exploration
Porcupine Basin LO 11/7 and LO 11/8 (Mullen and Kiernan) 100%



In October 2011, Europa was awarded two exploration Licensing Options 11/7 and 11/8 in the Irish Atlantic Margin licensing round. These cover two four-block parcels in the South Porcupine Basin situated off the west coast of Ireland with a total area of approximately 2,000 km^2. Previous drilling in the North Porcupine Basin led to the discovery of Connemara, Spanish Point and Burren, providing evidence for the existence of a viable petroleum system. Burren in particular flowed ~700 bopd from a Lower Cretaceous sandstone reservoir. We have identified two large stratigraphic traps at prospects Mullen and Kiernan in Lower Cretaceous submarine fan systems similar to those that have been proved to be successful elsewhere along the Atlantic Margins.

The areas are situated on the flanks of the South Porcupine Basin in water depths of between 700 metres and 2,000 metres. There are modest work programmes attached to the licences over a two year period requiring reprocessing and interpretation of seismic data, and, subject to approval of the Irish Government, an option to convert into a 15 year Frontier Exploration Licence with associated obligations to undertake seismic and drilling operations.

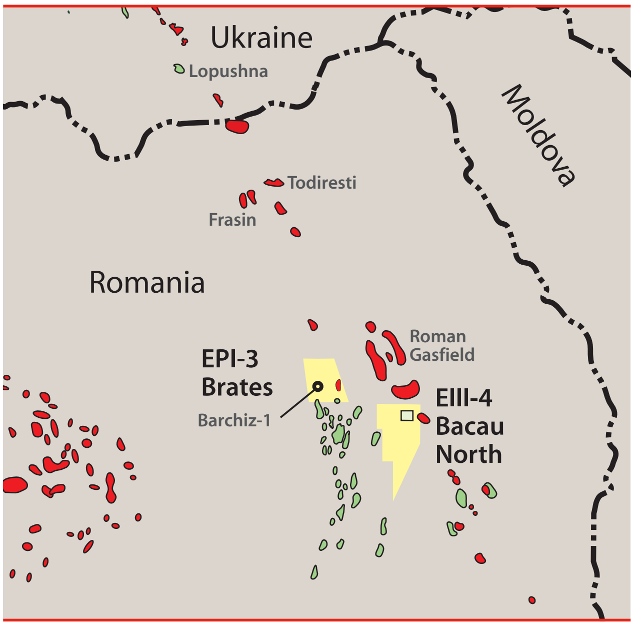
Since acquiring the licences, the Company's in house technical team has been working to map the prospectivity of the Licensing Options with a view to securing a farm-out.

Operational review
Operations and development

Romania

Highlights

- **Exited Brodina and Cuejdiu concessions**
- **Elected to write-down investment in Bacau and Brates**



At the beginning of the year, the Company held interests in four exploration licences in Romania.

In January 2012, Europa announced its decision to withdraw from one of these, the Brodina licence (Europa 28.75%) in northern Romania, following the unsuccessful Horodnic-1 appraisal well which failed to indicate the presence of potentially hydrocarbon bearing intervals. The withdrawal from the concession resulted in a write-off of previously incurred drilling and other exploration expenses of £4 million.

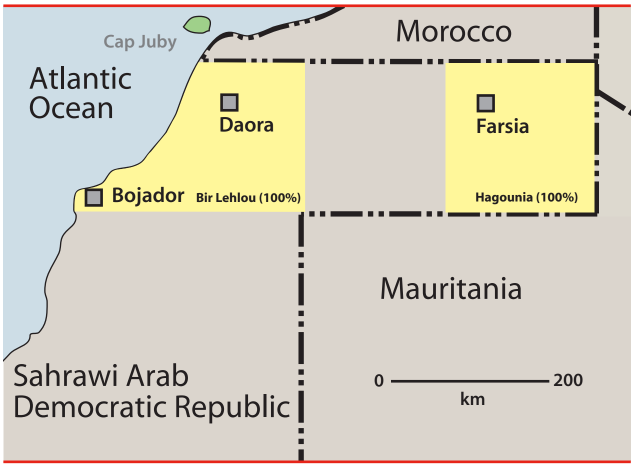
In March 2012 Europa, with its partners Aurelian and Romgaz, announced the withdrawal of its involvement from the Cuejdiu licence (Europa's interest having been 17.5%). As with all its licences, an extensive review of the Cuejdiu concession both in isolation and within the context of the Company's portfolio as a whole had been undertaken. This involved a detailed technical and commercial evaluation of all aspects of the licence including the prospectivity of the project, anticipated costs attributable to Europa's continued participation, associated commitments, timetable and geologic risk. The result of this analysis led to the Company's decision to withdraw resulting in a write-off of previously incurred drilling and other exploration expenses of £1.3 million.

Europa has interests in two further concessions in Romania, Brates (100%) and Bacau (19%). The Bacau licence is operated by Raffles Energy and a review of existing data is currently underway. The Company is looking to farm-out its 100% interest in the Brates licence. The Company has elected to write-off £5.1 million previously incurred drilling and other exploration expenses in the Brates and Bacau licences, making a total Romanian write-off of £10.4 million.

In September 2011, the Company was notified by the Romanian tax authorities that the sum of £0.6 million (including penalties) was payable in settlement of a VAT liability triggered by the sale of the Company's Bilca Gas field in 2007. Europa vigorously disputes the legal basis for the VAT liability. In July 2012 the Romanian authorities reduced the liability to £0.4 million. Europa will continue to appeal the decision with the objective of having the VAT liability reduced to zero and Europa's VAT claim of £0.2 million repaid by the Romanian authorities.

Sahrawi Arab Democratic Republic

Exploration
Bir Lehlou and Hagounia 100%



Europa holds interests in the Bir Lehlou and Hagounia blocks of the Sahrawi Arab Democratic Republic. The 100% interest in the licences covers almost 80,000 km^2 of exploration acreage and crosses the Tindouf and Aaiun basins. The concession has significant potential for both conventional and unconventional gas resources, specifically shale gas. The Tindouf Basin is geologically similar to the prolific Algerian Palaeozoic basins. Meanwhile, the Aaiun Basin is an Atlantic margin basin similar to those developed elsewhere along the African margin.

Conclusion
In the last twelve months Europa has conducted a detailed technical review of its entire exploration, appraisal and production portfolio. As a consequence of this work we have identified an exciting new shallow gas play in our Béarn des Gaves permit in France and confirmed Berenx Deep as a gas appraisal project with mean gross contingent resources of at least 277 bcf. In May we delivered a CPR to the market providing clarity on the risk and value in our UK and French assets. We have identified two new and potentially very large prospects in the South Porcupine Basin offshore Ireland. Whilst at the high risk and high reward end of the exploration spectrum they are part of the Lower Cretaceous clastic play that has proved very successful elsewhere in the Atlantic Margin and further work will be undertaken to de-risk the prospects.

We chose to exit the Brodina and Cuejdiu licences in Romania and will continue to rationalise our portfolio on the basis of the technical and commercial case. In July we mounted a very strong planning appeal for the Holmwood exploration well, a prospect that we regard as the best undrilled exploration prospect in onshore UK. Though the appeal was dismissed by the planning inspector, we continue to believe our case is strong and we are considering our options to contest the decision. Our UK production had an excellent year generating £2.1 million cash to the Company and I am delighted to report that we delivered on our production promise of 200 boepd.

The next twelve months will see at least one exploration well drilled in PEDL180 or PEDL182 in the UK with the possibility of a follow up exploration well contingent on success. We are seeking to joint venture our Irish and French assets. In particular we wish to test the shallow gas play in the Béarn des Gaves permit as a matter of priority since we believe the Aquitaine basin has the potential to provide rapid commercialisation of any gas discovery. Offshore Ireland is beginning to receive renewed interest from the upstream oil industry, we have prime acreage in an exciting play and we wish to accelerate the process of de-risking our prospects and taking them to drillable status. It is also our intent to add new opportunities to our portfolio. Europa is in the deal flow and additional projects will be added in due course. We will work our UK producing assets hard and continue with initiatives to reduce opex, augment production and hit our production targets.

Hugh Mackay
CEO

Financial review

Group revenue for the year increased 34% to £5.1 million.

Results for the year
Group revenue for the year to 31 July 2012 was £5,080,000 (2011: £3,766,000).

Oil produced and sold during the year amounted to 72,360 barrels or 198 bopd (2011: 60,956 barrels or 167 bopd). The 19% increase in production volumes arose at West Fisby where reduced downtime and a full year contribution from the WF-9 well were positive factors.

In addition, higher crude oil prices helped increase revenue. The average price per barrel achieved in the year was $110.03 (2011: $99.43).

A stronger US Dollar in the year to 31 July 2012 also meant that sales were translated to Sterling at an average rate of $1.5845 (2011: $1.6106).

The Crosby Warren field sells a small quantity of gas 3 boepd (2011: 3 boepd) to the nearby Tata steelworks.

Other cost of sales were higher in line with the increased volume. Following the CPR assessment of UK reserves, the book value of the producing assets were written down by £785,000 (2011: £425,000). An exploration write-off of £12,451,000 represented previously incurred expenditure in Romania and UK PEDL150.

Pre tax loss from continuing operations for the year was £12,055,000 (2011: profit £291,000).

Taxation
The total tax credit (current and deferred) for the year was £739,000 (2011: a charge of £523,000). The write-down of producing assets and the intangible assets in PEDL150 allowed a previously recognised deferred tax liability to be released.

Loss after tax
The results for 2012 show a loss from continuing operations after taxation of £11,316,000 (2011: loss £232,000).

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. An accrual of £616,000 was recorded in 2011. Europa continues to contest the VAT assessment, and in June 2012 received confirmation that one element of the tax authorities claim had been rejected, thereby reducing the total liability to £420,000.

Cash
Net cash generated from operating activities was £2,059,000 (2011: £985,000). Net cash used in investing activities was £3,033,000 (2011: £5,021,000) and included the Horodnic-1 well (2011: Barchiz-1 and WF-9 wells). Net cash from financing activities was an outflow of £764,000 (2011: an inflow of £6,408,000) and included one share placing which raised a total of £665,000 of cash net of broker commission and the repayment of the Yorkville loan. The net cash balance at the end of the year was £230,000 (2011: £1,876,000).

Primary risks and uncertainties
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.

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 sold to purchase Euros and Sterling.

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 and the placing of Europa shares in the market.

Overdraft Facility
The Royal Bank of Scotland (RBS) multi-currency facility signed on 5 March 2012 provides an overdraft of up to £700,000 (2011: £700,000). Interest is charged at 3% over base rate (2011: 3% over base rate). The facility is due to be renewed 31 January 2013. The principal interest rate risk for the Group is the interest charge arising from utilisation of the multi-currency facility.

Placing of Shares
During the year, Europa issued 7,777,776 shares at 9p raising £665,000 net of broker commission (2011: a total of 47,871,141 shares at an average 13.3p raising £5,920,000 net of broker commission).

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. To date there have been no draw downs against the SEDA. Because of uncertainty over future use of the facility, Europa elected to write-off the SEDA arrangement fee in the year.

Loan note
Also on 15 July 2011 Europa agreed a $1.6 million (approx £1 million) loan note with Yorkville. The loan was repayable in tranches over 12 months and attracted interest at a rate of 8% per annum. The loan note was fully repaid during the year in accordance with the agreed terms.

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, 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 2012.

Phil Greenhalgh
Finance Director

Board of Directors

HGD Mackay
Chief Executive Officer
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, Oman and Egypt, then 10 years 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 Director. He has a BSc in Geology from the University of Edinburgh and a Sloan MSc in Management from London Business School.

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.

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.

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.

Directors' report

The directors present their report and the audited financial statements for the year ended 31 July 2012.

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, Ireland, France, Romania and the Sahrawi Arab Democratic Republic. The Board has considered and will continue to consider investments in Europe, Mediterranean and Atlantic Margin.

Business review

A detailed review of the Group's business and prospects is set out in the Chairman's statement (page 6) and Operational review (page 11). The Financial review (page 16) and Corporate governance statement (page 23) 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 £11,316,000 (2011 loss: £1,020,000). The directors do not recommend the payment of a dividend (2011: £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 2012, the Group had 47 days of purchases outstanding (2011: 41 days) and the Company had 25 days of purchases outstanding (2011: 32 days).

Directors and their interests

Directors holding office through the year were as follows:
WH Adamson
CW Ahlefeldt-Laurvig
PA Barrett (resigned 21 October 2011)
RJHM Corrie
P Greenhalgh
HGD Mackay (appointed 6 September 2011)

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

	Number of ordinary shares		Number of ordinary share options	
	2012	2011	**2012**	2011
WH Adamson	**475,000**	175,000	**500,000**	250,000
CW Ahlefeldt-Laurvig[1]	**25,502,442**	25,502,442	**—**	—
RJHM Corrie[2]	**87,500**	87,500	**500,000**	500,000
P Greenhalgh	**250,000**	250,000	**1,875,000**	1,875,000
HGD Mackay	**786,863**	455,615	**5,000,000**	—

1. CW Ahlefeldt-Laurvig holds shares through HSBC Global Custody Nominee (UK) Limited.
2. 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

Details of the vesting conditions of the directors' stock options are included in Note 22.

Director's interests in transactions

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

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 27 to the financial statements.

Capital structure and going concern

The directors took the opportunity to raise £665,000 of new equity financing in October 2011, net of broker commission.

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 continue in operational existence for the foreseeable future. This judgement is based on the performance of its existing oil production and correspondence with its bankers.

Further details on the Group's capital structure are included in Note 21.

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 15 October 2012.

P Greenhalgh
Finance Director

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ADVISERS

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 2012, the Board consisted of three non-executive and two executive directors.

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 (2011: eleven). RJHM Corrie was unable to attend one meeting.

The Board has considered the independence of CW Ahlefeldt-Laurvig given his 18.5% shareholding and length of tenure as a director of the Company. The Board considers that he is independent in character and judgment as he has other significant commercial and professional commitments and brings his own level of senior experience gained as a petroleum engineer. When arriving at this decision, the Board has taken into account the comments made by the Financial Reporting Council in their 2009 report on the impact and effectiveness of the Combined Code, in particular their comment that independence is not the primary consideration when assessing the composition of the Board, and that the over-riding consideration should be that the Board is fit for purpose.

In addition to their interest in the ordinary shares of the Company, WH Adamson and RJHM Corrie hold stock options. These options were awarded in connection with their appointment to the Board and full details of the options are included in Note 22. The Board has listened to comments raised by certain investors and discussed the subject with advisers. Whilst recognising that the granting of options to non-executive directors is contrary to UK corporate governance code the Board considers that the quantum of options granted is not so significant as to raise any issue concerning their independence. In addition, the Board wishes to retain the ability to grant stock options to non-executive directors in future.

Remuneration Committee

The Remuneration Committee consists of the three non-executive directors and is chaired by CW Ahlefeldt-Laurvig. 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.

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 2012 which comprise 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 2012 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 – renewal of French permits

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 renewal of the French exploration permits.

As disclosed in Note 11, the Group's French exploration permits are currently in the renewal phase with the French authorities. The Group did not meet its expenditure commitments on those permits and therefore there is a risk that the permits will not be renewed by the French authorities. Although the directors are confident that the permits will be renewed, there can be no guarantee. Should the permits not be renewed, the impact on the financial statements will be the impairment of the French intangible assets disclosed in Note 11. These financial statements do not include the adjustments that would result if the permits are not renewed.

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
15 October 2012

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 2012

	Note	2012 £000	2011 £000
Revenue	2	**5,080**	3,766
Other cost of sales	2	***(2,692)***	*(2,216)*
Exploration write-off	11	***(12,451)***	—
Impairment of producing fields	12	***(785)***	*(425)*
Total cost of sales		**(15,928)**	(2,641)
Gross (loss)/profit		**(10,848)**	1,125
Administrative expenses		**(755)**	(646)
Finance income	7	**—**	1
Finance expense	8	**(452)**	(189)
(Loss)/profit before taxation	3	**(12,055)**	291
Taxation credit/(charge)	9	**739**	(523)
Loss for the year from continuing operations		**(11,316)**	(232)
Discontinued operations			
Loss for the year from discontinued operations	6	**—**	(788)
Loss for the year attributable to the equity shareholders of the parent	10	**(11,316)**	(1,020)
Other comprehensive (loss)/income			
Exchange (loss)/gain arising on translation of foreign operations		**(36)**	8
Total comprehensive loss for the year attributable to the equity shareholders of the parent		**(11,352)**	(1,012)

	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	**(8.33)p**	(0.22)p
Basic and diluted LPS from discontinued operations	10	**—**	(0.74)p
Basic and diluted LPS from continuing and discontinued operations	10	**(8.33)p**	(0.96)p

The accompanying Notes form part of these financial statements.

Consolidated statement of financial position
as at 31 July 2012

	Note	2012 £000	2011 £000
Assets			
Non-current assets			
Intangible assets	11	**2,127**	11,348
Property, plant and equipment	12	**4,959**	6,742
Deferred tax asset	19	**14**	930
Total non-current assets		**7,100**	19,020
Current assets			
Inventories	14	**56**	43
Trade and other receivables	15	**1,250**	795
Cash and cash equivalents		**230**	1,876
		1,536	2,714
Other current assets			
Assets classified as held for sale	16	**338**	—
Total assets		**8,974**	21,734
Liabilities			
Current liabilities			
Trade and other payables	17	**(1,880)**	(1,757)
Current tax liabilities		**(87)**	—
Derivative	17	**(64)**	(56)
Short-term borrowings	18	**(230)**	(996)
Total current liabilities		**(2,261)**	(2,809)
Non-current liabilities			
Long-term borrowings	18	**—**	(230)
Deferred tax liabilities	19	**(2,948)**	(4,686)
Long-term provisions	20	**(1,950)**	(1,570)
Total non-current liabilities		**(4,898)**	(6,486)
Total liabilities		**(7,159)**	(9,295)
Net assets		**1,815**	12,439
Capital and reserves attributable to equity holders of the parent			
Share capital	21	**1,379**	1,301
Share premium	21	**13,160**	12,573
Merger reserve	21	**2,868**	2,868
Foreign exchange reserve	21	**380**	416
Retained deficit	21	**(15,972)**	(4,719)
Total equity		**1,815**	12,439

These financial statements were approved by the Board of directors and authorised for issue on 15 October 2012 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 2012

	Share capital £000	Share premium £000	Merger reserve £000	Foreign exchange reserve £000	Retained deficit £000	Total equity £000
	Attributable to the equity holders of the parent					
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**
Balance at 1 August 2011	**1,301**	**12,573**	**2,868**	**416**	**(4,719)**	**12,439**
Total comprehensive loss for the year	—	—	—	(36)	(11,316)	(11,352)
Share based payment	—	—	—	—	63	63
Issue of share capital (net of issue costs)	78	587	—	—	—	665
Balance at 31 July 2012	**1,379**	**13,160**	**2,868**	**380**	**(15,972)**	**1,815**

The accompanying Notes form part of these financial statements.

Company statement of financial position
as at 31 July 2012

	Note	2012 £000	2011 £000
Assets			
Non-current assets			
Property, plant and equipment	12	**22**	369
Investments	13	**3,316**	3,315
Loans to Group companies	15	**—**	12,472
Total non-current assets		**3,338**	16,156
Current assets			
Other receivables	15	**61**	246
Cash and cash equivalents		**27**	1,578
Total current assets		**88**	1,824
Other current assets			
Assets classified as held for sale	16	**338**	—
Total assets		**3,764**	17,980
Liabilities			
Current liabilities			
Trade and other payables	17	**(162)**	(262)
Current tax liabilities		**—**	—
Derivative	17	**(64)**	(56)
Short-term borrowing	18	**(230)**	(996)
Total current liabilities		**(456)**	(1,314)
Non-current liabilities			
Long-term borrowings	18	**—**	(230)
Total non-current liabilities		**—**	(230)
Total liabilities		**(456)**	(1,544)
Net assets		**3,308**	16,436
Capital and reserves attributable to equity holders of the parent			
Share capital	21	**1,379**	1,301
Share premium	21	**13,160**	12,573
Merger reserve	21	**2,868**	2,868
Retained deficit	21	**(14,099)**	(306)
Total equity		**3,308**	16,436

These financial statements were approved by the Board of directors and authorised for issue on 15 October 2012 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 2012

	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**
Balance at 1 August 2011	**1,301**	**12,573**	**2,868**	**(306)**	**16,436**
Total comprehensive loss for the year	—	—	—	(13,856)	(13,856)
Share based payment	—	—	—	63	63
Issue of share capital (net of issue costs)	78	587	—	—	665
Balance at 31 July 2012	**1,379**	**13,160**	**2,868**	**(14,099)**	**3,308**

The accompanying Notes form part of these financial statements.

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Consolidated statement of cash flows
for the year ended 31 July 2012

	Note	2012 £000	2011 £000
Cash flows from operating activities			
Loss after tax		**(11,316)**	(232)
Adjustments for:			
Share based payments	22	**63**	53
Depreciation	12	**673**	354
Exploration write-off	11	**12,451**	—
Impairment of property, plant & equipment	12	**785**	425
Finance income	7	**—**	(1)
Finance expense	8	**452**	189
Taxation (credit)/expense	9	**(739)**	523
Increase in trade and other receivables		**(647)**	(412)
Increase in inventories		**(13)**	(5)
Increase/(decrease) in trade and other payables		**350**	(239)
Cash generated from continuing operations		**2,059**	655
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 repayment received		**—**	330
Net cash from operating activities		**2,059**	985
Cash flows from investing activities			
Purchase of property, plant and equipment		**(78)**	(3,213)
Purchase of intangible assets		**(2,955)**	(1,809)
Interest received		**—**	1
Net cash used in investing activities		**(3,033)**	(5,021)
Cash flows from financing activities			
Proceeds from issue of share capital (net of issue costs)		**665**	5,920
Increase/(decrease) in payables related to the issue of share capital		**(115)**	115
Proceeds from short-term borrowings		**—**	1,065
Repayment of borrowings		**(1,025)**	(612)
Finance costs		**(289)**	(80)
Net cash from financing activities		**(764)**	6,408
Net (decrease)/increase in cash and cash equivalents		**(1,738)**	2,372
Exchange gain/(loss) on cash and cash equivalents		**92**	(21)
Cash and cash equivalents at beginning of year		**1,876**	(475)
Cash and cash equivalents at end of year		**230**	1,876

The accompanying Notes form part of these financial statements.

Company statement of cash flows
for the year ended 31 July 2012

	Note	2012 £000	2011 £000
Cash flows from operating activities			
(Loss)/profit after tax	3	**(13,856)**	271
Adjustments for:			
Share based payments		**63**	53
Depreciation	12	**22**	24
Write-off of intercompany loan		**13,096**	—
Finance income		**(377)**	(476)
Finance expense		**844**	49
Decrease/(increase) in trade and other receivables		**185**	(197)
Increase/(decrease) in trade and other payables		**36**	(336)
Net cash from operating activities		**13**	(612)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(16)**	(11)
Movement on loan to Group companies		**(834)**	(4,745)
Interest received		**—**	1
Net cash used in investing activities		**(850)**	(4,755)
Cash flows from financing activities			
Proceeds from issue of share capital (net of issue costs)		**665**	5,920
(Decrease)/increase in payables related to the issue of share capital		**(115)**	115
Proceeds from short term borrowings		**—**	1,065
Repayment of borrowings		**(1,025)**	(112)
Finance costs		**(275)**	(48)
Net cash from financing activities		**(750)**	6,940
Net (decrease)/increase in cash and cash equivalents		**(1,587)**	1,573
Exchange gain/(loss) on cash and cash equivalents		**36**	(16)
Cash and cash equivalents at beginning of year		**1,578**	21
Cash and cash equivalents at end of year		**27**	1,578

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 6 Porter Street, London, W1U 6DD. 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 2012.

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, which is deemed to be at least 12 months from the date of signing these financial statements. This judgement is based on the performance of existing oil production and correspondence with our bankers.

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.

		Effective date (periods beginning on or after)
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.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its material subsidiary undertakings drawn up to 31 July 2012. 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 Group's share of the results and net assets of these joint arrangements is described below.

1 Accounting Policies (continued)

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.

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

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.

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 Sahrawi Arab Democratic Republic, 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.

1 Accounting Policies (continued)

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 classifies its financial assets into loans and receivables, which comprise trade and other receivables and cash and cash equivalents. The Group has not classified any of its financial assets as held to maturity or available for sale or fair value through profit or loss.

Trade and other receivables are measured 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 18.

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.

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.

Notes to the financial statements

1 Accounting Policies (continued)

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 20) – inflation and discount rate estimates are used in calculating the provision
- Share-based payments (Note 22) – various estimates are used in determining the fair value of options

2 Business segment analysis

In the opinion of the directors the Group has five reportable segments as reported to the chief operating decision maker, being the UK, Ireland, 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 2012

	UK £000	Ireland £000	Romania £000	France £000	North Africa £000	Total £000
Continuing operations						
Revenue	5,080	—	—	—	—	5,080
Other cost of sales	*(2,692)*	—	—	—	—	*(2,692)*
Exploration write-off	*(2,056)*	—	*(10,395)*	—	—	*(12,451)*
Impairment of producing fields	*(785)*	—	—	—	—	*(785)*
Cost of sales	(5,533)	—	(10,395)	—	—	(15,928)
Gross loss	**(453)**	**—**	**(10,395)**	**—**	**—**	**(10,848)**
Administrative expenses	(675)	—	(39)	—	(41)	(755)
Finance costs	(358)	—	(94)	—	—	(452)
Loss before tax	**(1,486)**	**—**	**(10,528)**	**—**	**(41)**	**(12,055)**
Taxation	739	—	—	—	—	739
Loss for the year from continuing operations	**(747)**	**—**	**(10,528)**	**—**	**(41)**	**(11,316)**
Discontinued operations						
Loss for the year from discontinued operation	—	—	—	—	—	—
Loss for the year	**(747)**	**—**	**(10,528)**	**—**	**(41)**	**(11,316)**

2 Business segment analysis (continued)

Segmental assets and liabilities as at 31 July 2012

	UK £000	Ireland £000	Romania £000	France £000	North Africa £000	Total £000
Total non-current assets	5,995	66	—	1,039	—	7,100
Total current assets	1,868	—	6	—	—	1,874
Total assets	**7,863**	**66**	**6**	**1,039**	**—**	**8,974**
Total non-current liabilities	(4,648)	—	(250)	—	—	(4,898)
Total current liabilities	(1,573)	—	(688)	—	—	(2,261)
Total liabilities	**(6,221)**	**—**	**(938)**	**—**	**—**	**(7,159)**
Other segment items						
Capital expenditure	583	66	1,863	521	—	3,033
Depreciation	674	—	—	—	—	674
Share based payments	63	—	—	—	—	63

Income statement for the year ended 31 July 2011

	UK £000	Ireland £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/(loss)	**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)
Loss for the year	**(140)**	**—**	**(55)**	**—**	**(37)**	**(232)**
Discontinued operations						
Loss for the year from discontinued operation	—	—	(788)	—	—	(788)
Loss for the year	**(140)**	**—**	**(843)**	**—**	**(37)**	**(1,020)**

Segmental assets and liabilities as at 31 July 2011

	UK £000	Ireland £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

100% of the total revenue (2011: 100%) relates to UK based customers. Of this figure, one single customer (2011: one) commands more than 99% of the total.

Notes to the financial statements

3 Profit/(loss) before taxation

(Loss)/profit from continuing operations is stated after charging:

	Note	2012 £000	2011 £000
Depreciation	12	**673**	354
Staff costs including directors	5	**1,022**	744
Exploration write-off	11	**12,451**	—
Impairment of property, plant and equipment	12	**785**	425
Fees payable to the auditor for the Company audit		**13**	15
Fees payable to the auditor for the audit of subsidiaries		**29**	29
Fees payable to the auditor in respect of corporate finance services		**—**	34
Operating leases – land and buildings		**37**	35

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 loss dealt with in the financial statements of the parent Company is £13,856,000 (2011: profit £271,000).

4 Directors' emoluments

Directors' salaries and fees

	2012 £000	2011 £000
WH Adamson	**40**	40
CW Ahlefeldt-Laurvig	**21**	18
PA Barrett (to 22 April 2012)	**96**	127
RJHM Corrie	**21**	18
P Greenhalgh	**129**	129
HGD Mackay (from 10 October 2011)	**149**	—
ES Syba (to 31 August 2010)	**—**	6
	456	338

Directors' pensions

	2012 £000	2011 £000
PA Barrett	**16**	19
P Greenhalgh	**17**	16
ES Syba	**6**	11
	39	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 continued to pay pension contributions in respect of ES Syba until February 2012. PA Barrett resigned as a director on 21 October 2011 and remained an employee until 22 April 2012.

Social security costs in relation to directors' remuneration were £57,000 (£2011: £41,000).

Directors' share based payments

	2012 £000	2011 £000
WH Adamson	**11**	9
RJHM Corrie	**1**	7
P Greenhalgh	**11**	33
HGD Mackay	**39**	—
	62	49

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 (2011: none).

4 Directors' emoluments continued
Directors' total emoluments continued

	2012 £000	2011 £000
Salaries and fees	**456**	338
Pensions	**39**	46
Share based payments	**62**	49
	557	433

5 Employee information
Average monthly number of employees including directors

	2012 Number	2011 Number
Management and technical	**8**	6
Field exploration and production	**4**	4
	12	10

Staff costs

	2012 £000	2011 £000
Wages and salaries	**785**	550
Social security	**100**	68
Pensions	**74**	73
Share based payment (Note 22)	**63**	53
	1,022	744

Total staff costs for the Company were £793,000 (2011: £517,000).

6 Loss from discontinued operations

	2012 £000	2011 £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.

7 Finance income

	2012 £000	2011 £000
Interest receivable	**—**	1
	—	1

8 Finance expense

	2012 £000	2011 £000
Bank interest payable	**28**	44
Loan interest payable	**32**	10
Interest on tax payment	**1**	—
Unwinding of discount on decommissioning provision (Note 20)	**130**	92
Exchange rate losses	**24**	14
Bank charges	**10**	18
Loan arrangement fee	**219**	10
Interest rate swap fair value charge (Note 23)	**8**	1
	452	189

Notes to the financial statements

9 Taxation

	2012 £000	2011 £000
Current tax liability	**83**	—
Deferred tax asset (Note 19)	**916**	(923)
Release deferred tax liability (Note 19)	**(1,738)**	1,446
Tax (credit)/charge	**(739)**	523

UK corporation tax is calculated at 30% (2011: 30%) of the estimated assessable profit for the year. Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	2012 £000	2011 £000
(Loss)/profit on ordinary activities per the accounts	**(12,114)**	291
Tax reconciliation		
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2010: 30%)	**(3,634)**	87
Expenses not deductible for tax purposes	**3,990**	28
Other reconciling items includung tax payable at a higher rate in the UK	**(1,095)**	408
Total tax charge	**(739)**	523

10 Loss per share

Basic loss per share (LPS) has been calculated on the loss or profit 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 2012 was 8.97p (2011: 20.29p), which was below the exercise price of all of the 8,275,000 outstanding share 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) per share is based on the following:

	2012 £000	2011 £000
Losses		
Loss after tax from continuing activities	**(11,316)**	(232)
Loss for the year from discontinued operations	**—**	(788)
Loss for the year from continuing and discontinued operations	**(11,316)**	(1,020)
Weighted average number of shares		
for the purposes of basic eps	**135,921,685**	105,418,814
for the purposes of diluted eps	**135,921,685**	105,929,247

11 Intangible assets

	2012 £000	2011 £000
At 1 August	**11,348**	9,751
Additions	**3,230**	1,597
Exploration write-off	**(12,451)**	—
At 31 July	**2,127**	11,348

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

	2012 £000	2011 £000
Romania	**—**	8,433
France	**1,039**	523
Ireland	**66**	—
UK PEDL143 (Holmwood)	**437**	199
UK PEDL150 (Hykeham)	**—**	2,020
UK PEDL180 (Wressle)	**279**	68
UK PEDL181 (Caister)	**113**	105
UK PEDL182 (Broughton)	**193**	—
Total	**2,127**	11,348

11 Intangible assets (continued)

	2012 £000	2011 £000
Exploration write-off		
UK PEDL150 (Hykeham)	**2,057**	—
Romania	**10,394**	—
Total	**12,451**	—

As highlighted in the Operational review, the renewal process for the Béarn des Gaves and Tarbes permits is underway. The Group did not meet its expenditure commitments in the first phase of the permits and as a result there is a risk that the permits will not be renewed by the French authorities. Based on correspondence received to date from the authorities, the directors have a reasonable expectation that the permits will be renewed. Should the permits not be renewed, then there would be an impairment of the French intangible assets.

12 Property, plant and equipment

Property, plant & equipment – Group

	Furniture & computers £000	Leasehold building £000	Producing fields £000	Total £000
Cost				
At 1 August 2010	55	437	7,779	8,271
Additions	11	—	3,006	3,017
At 31 July 2011	66	437	10,785	11,288
Additions	16	—	—	16
Transfer to assets for sale	—	(437)	—	(437)
Disposals	(39)	—	—	(39)
At 31 July 2012	**43**	**—**	**10,785**	**10,828**
Depreciation, depletion and impairment				
At 1 August 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
Charge for year	14	8	651	673
Transfer to assets for sale	—	(100)	—	(100)
Disposal	(35)	—	—	(35)
Impairment	—	—	785	785
At 31 July 2012	**21**	**—**	**5,848**	**5,869**
Net Book Value				
At 31 July 2010	30	352	4,122	4,504
At 31 July 2011	24	345	6,373	6,742
At 31 July 2012	**22**	**—**	**4,937**	**4,959**

Notes to the financial statements

12 Property, plant and equipment (continued)

The producing fields referred to in the table above are the production assets of the Group, namely the oilfields at Crosby Warren and West Firsby, and the Group's interest in the Whisby W-4 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 2012, as a result of the reduction in reserves following the CPR, there was an impairment at Crosby Warren of £785,000 (2011: £257,000). There was no impairment at West Firsby (2011: £168,000) or Whisby W-4 well.

Property, plant and equipment – Company

	Furniture & computers £000	Leasehold building £000	Total £000
Cost			
At 1 August 2010	55	437	492
Additions	11	—	11
At 31 July 2011	66	437	503
Additions	16	—	16
Transfer to assets held for sale	—	(437)	(437)
Disposals	(39)	—	(39)
At 31 July 2012	**43**	**—**	**43**
Depreciation			
At 1 August 2010	25	85	110
Charge for the year	17	7	24
At 31 July 2011	42	92	134
Charge for year	14	8	22
Transfer to assets held for sale	-	(100)	(100)
On disposals	(35)	—	(35)
At 31 July 2012	**21**	**—**	**21**
Net Book Value			
At 31 July 2010	30	352	382
At 31 July 2011	24	345	369
At 31 July 2012	**22**	**—**	**22**

The Abingdon property has been vacated and has been put up for sale. The net book value has been transferred to current assets (see Note 16). The property loan of £230,000 (2011: £251,000) described in Note 18 is secured against this building.

13 Investments – Company

Investment in subsidiaries

	2012 £000	2011 £000
At 1 August	**3,315**	3,312
Current year additions	**1**	3
31 July	**3,316**	3,315

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.

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 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

	2012 £000	2011 £000
Oil in tanks	**56**	43

15 Trade and other receivables

		Group		Company
	2012 £000	2011 £000	2012 £000	2011 £000
Current trade and other receivables				
Trade receivables	**1,057**	438	**—**	—
Other receivables	**109**	128	**17**	38
Prepayments	**84**	229	**44**	208
	1,250	795	**61**	246
Non current other receivables				
Owed by Group undertakings (Note 26)	**—**	—	**—**	12,472

Loans to subsidiaries have been fully written down in the Company accounts.

16 Assets classified as held for sale

In January 2012 the Group relocated its head office from Abingdon to London. The vacated leasehold property in Abingdon has been classified as an asset held for sale. The property loan of £230,000 (2011: £251,000) described in Note 18 is secured against this building and will be repaid out of the sale proceeds.

		Group		Company
	2012 £000	2011 £000	2012 £000	2011 £000
Property, plant & equipment	**338**	—	**338**	—
Total net assets	**338**	—	**338**	—

17 Trade and other payables

		Group		Company
	2012 £000	2011 £000	2012 £000	2011 £000
Trade payables	**1,032**	967	**105**	226
Other payables	**14**	50	**—**	—
Accruals	**834**	740	**57**	36
	1,880	1,757	**162**	262
Derivative liability				
Interest rate swap	**64**	56	**64**	56

Group other payables includes advances received from partners on projects in UK. More information on the interest rate swap is included in Note 23.

Notes to the financial statements

18 Borrowings

The Royal Bank of Scotland (RBS) multi-currency facility signed on 5 March 2012 provides an overdraft of up to £700,000. At 31 July 2012 and at 31 July 2011 the facility was not used. The facility is due to be renewed 31 January 2013.

A term loan also provided by RBS was fully repaid on 31 January 2011.

The £975,000 ($1,600,000) Yorkville loan note was issued on 15 July 2011 and was repayable in tranches over 12 months. As at 31 July 2012 the loan was fully repaid (July 2011 balance: £975,000). A loan of £230,000 (2011: £251,000) secured against the Abingdon property is repayable over 11 years but will be fully repaid with proceeds from the sale of the property which is in current assets for sale (see Note 16). As the Group anticipates the property selling within a year the property loan has all been shown in short term borrowings.

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Loans repayable in less than 1 year				
Multi-currency facility	**—**	—	**—**	—
Term loan	**—**	—	**—**	—
Property loan	**230**	21	**230**	21
Loan note (Yorkville)	**—**	975	**—**	975
Total short term borrowing	**230**	996	**230**	996
Loans repayable in 1 to 2 years				
Term loan	**—**	—	**—**	—
Property loan	**—**	22	**—**	22
Total loans repayable in 1 to 2 years	**—**	22	**—**	22
Loans repayable in 2 to 5 years				
Term loan	**—**	—	**—**	—
Property loan	**—**	68	**—**	68
Total loans repayable in 2 to 5 years	**—**	68	**—**	68
Loans repayable after 5 years				
Property loan	**—**	140	**—**	140
Total loans repayable after 5 years	**—**	140	**—**	140
Total long term borrowing	**—**	**230**	**—**	**230**

19 Deferred Tax – Group

The Group recognised a non-current deferred tax asset of £14,000 (2011: £930,000) 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 2013 financial year.

Recognised deferred tax liability:

	2012 £000	2011 £000
As at 1 August	**4,686**	3,240
(Credited)/charged to statement of comprehensive income	**(1,738)**	1,446
At 31 July	**2,948**	4,686

The Group has a net deferred tax liability of £2,948,000 (2011: £4,686,000) arising from accelerated capital allowances.

Unrecognised deferred tax asset:

	2012 £000	2011 £000
Accelerated capital allowances	**(335)**	(158)
Trading losses	**1,279**	1,181
Net deferred tax asset	**944**	1,023

The Group has a net deferred tax asset of £944,000 (2011: £1,023,000), which arises mainly in relation to overseas trading losses of £3.7 million and Holding Company losses of £0.6 million, that have not been recognised in the accounts as the timing of the utilisation of the losses is considered uncertain.

20 Long term provision – Group

	2012 £000	2011 £000
As at 1 August	**1,570**	1,395
Charged to statement of comprehensive income	**130**	92
Added to exploration write-off	**250**	—
Added to property, plant & equipment non current assets	**—**	83
At 31 July	**1,950**	1,570

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 and Barchiz are the only wells where decommissioning is anticipated before 2020.

21 Called up share capital

	2012 £000	2011 £000
Allotted, called up and fully paid		
137,855,504 ordinary shares of 1p each (2011: 130,077,728)	**1,379**	1,301

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

On 31 October 2011 the Company issued 7,777,776 shares at 9p, raising £665,000 net of broker commission (2011: a total of 47,871,141 shares at an average 13.3p raising £5,920,000 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 2012 of £2,868,000 (2011: £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.

22 Share based payments

There are 8,275,000 ordinary 1p share options outstanding (2011: 3,382,142). These are held by certain members of the Board: WH Adamson 500,000; RJHM Corrie 500,000; P Greenhalgh 1,875,000; HGD Mackay 5,000,000, and employees of the Group 400,000.

Of the outstanding options, 3,275,000 are exercisable: one third 18 months after grant; a further third 30 months after grant and the balance 42 months after grant, with no further vesting conditions.

The remaining 5,000,000 options held by HGD Mackay are exercisable after 24 months, subject to the Company's share price trading above a target level for at least 30 consecutive business days. The options are exercisable as follows:

Number of options	Target price
1,000,000	25p
1,000,000	35p
1,000,000	45p
1,000,000	50p
1,000,000	60p

The latest date at which all options can be exercised is the 10th anniversary from the grant date.

Notes to the financial statements

22 Share based payments (continued)

The fair values of all options were determined using a Black Scholes Merton model. The inputs used to determine the values of the 3,275,000 options are detailed in the table below:

Grant date	11 Nov 2004	1 Dec 2006	8 May 2008	23 Oct 2009	17 Apr 2010	24 Oct 2011
Number of options	160,000	80,000	1,750,000	785,000	250,000	250,000
Share price at grant	32.5p	21.5p	21.5p	13.3p	14p	9.5p
Exercise price	25p	25p	20p	16p	14p	10p
Volatility	40%	50%	50%	60%	70%	90%
Dividend yield	nil	nil	nil	nil	nil	nil
Risk free investment rate	4.80%	4.90%	4.42%	2.74%	2.82%	1.58%
Option life (years)	6.25	6.25	6	6	5	5
Fair value per share	16.76p	10.16p	10.96p	6.58p	7.79p	6.15p

The inputs used to determine the values of the 5,000,000 options are detailed in the table below:

Grant date	10 Oct 2011	10 Oct 2011	10 Oct 2011	10 Oct 2011	10 Oct 2011
Number of options	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Share price at grant	10.25p	10.25p	10.25p	10.25p	10.25p
Exercise price	13p	13p	13p	13p	13p
Target price	25p	35p	45p	50p	60p
Volatility	90%	90%	90%	90%	90%
Dividend yield	nil	nil	nil	nil	nil
Risk free investment rate	1.73%	1.73%	1.73%	1.73%	1.73%
Option life (years)	5	6	7	8	9
Fair value per share	3.18p	2.74p	2.18p	1.52p	0.79p

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

Based on the above fair values the charge arising from employee share options was £63,000 (2011: £53,000).
In the year 5,250,000 options were granted, 357,142 expired, and none were forfeited or exercised (2011: all nil).

	2012 Number of options	**2012 Average exercise price**	2011 Number of options	2011 Average exercise price
Outstanding at the start of the year	**3,382,142**	**18.35p**	3,382,142	18.35p
Granted	**5,250,000**	**12.86p**	—	—
Forfeited	**—**	**—**	—	—
Expired	**(357,142)**	**14p**	—	—
Outstanding at the end of the year	**8,525,000**	**15.05p**	3,382,142	18.35p
Exercisable at the end of the year	**2,953,805**	**18.80p**	2,025,473	19.02p

23 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 2012 trade receivables were £1,057,000 (2011: £438,000) representing one month of oil revenue £417,000 and other recievables in respect of oil deliveries made on behalf of other parties and joint venture partners £640,000 (2011: one month of oil revenue). 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 £513,000 (2011: £479,000).

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 £0.7million 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 (2011: no overdraft). At July 2012 the Yorkville SEDA backed loan had been fully repaid (2011: £975,000 payable).

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.

	Trade and other receivables £000	Trade and other payables £000	Derivative £000	Short-term borrowings £000	Long-term borrowings £000
At 31 July 2012					
6 months or less	1,213	(1,763)	(6)	—	—
6-12 months	8	(117)	(6)	(230)	—
1-2 years	—	—	(11)	—	—
2-5 years	29	—	(25)	—	—
Over 5 years	—	—	(16)	—	—
Total	1,250	(1,880)	(64)	(230)	—
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)

Notes to the financial statements

23 Financial instruments (continued)

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 2012					
6 months or less	40	(162)	(6)	—	—
6-12 months	2	—	(6)	(230)	—
1-2 years	—	—	(11)	—	—
2-5 years	—	—	(25)	—	—
Over 5 years	19	—	(16)	—	—
Total	61	(162)	(64)	(230)	—
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)

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 £230,000 (2011: £251,000) which was swapped for a fixed rate of interest.

Interest rate risk

The Group has interest bearing liabilities as described in Note 18. 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%.

A loan of £230,000 (2011: £251,000) is secured over a long lease property and is repayable over 11 years, although it will be fully repaid on sale of the property. 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 5.52%. The fair value of the swap at 31 July 2012 was £64,000 (2011: £56,000) 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	2012 £000	2011 £000
1%	62	56
3%	36	33
5%	10	10

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".

23 Financial instruments (continued)

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 2012 $/bbl**	**PBT 2012 £000**	Price 2011 $/bbl	PBT 2011 £000
Highest	Mar 2012	**123.80**	**(11,442)**	121.70	1,131
Average		**110.03**	**(12,055)**	99.43	291
Lowest	June 2012	**93.30**	**(12,833)**	75.60	(614)

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	**2012 Rate $/£**	**2012 PBT £000**	2011 Rate $/£	2011 PBT £000
Highest	Aug 2011	**1.628**	**(12,190)**	1.665	166
Average		**1.585**	**(12,055)**	1.611	291
Lowest	May 2012	**1.528**	**(11,870)**	1.557	418

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	
Currency	Item	**2012 £000**	2011 £000	**2012 £000**	2011 £000
Euro	Cash and cash equivalents	**(1)**	9	**(1)**	9
	Trade and other receivables	**—**	7	**—**	7
	Trade and other payables	**(15)**	(182)	**(8)**	(7)
US Dollar	Cash and cash equivalents	**159**	486	**(4)**	—
	Trade and other receivables	**879**	611	**—**	—
	Trade and other payables	**(562)**	(63)	**—**	—
	Yorkville loan note	**—**	(975)	**—**	(975)
Total		**460**	(107)	**(13)**	(966)

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.

24 Capital commitments and guarantees

As at 31 July 2012 the Group had contractual commitments to drill 2 wells and acquire seismic in the UK.

Europa's share of costs for these wells and other exploration activities over the next year is approximately £1.7million. This commitment is expected to be met from cash generated from production and borrowings referred to in Note 18.

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 Sahrawi Arab Democratic Republic a further £3 million is committed pending a resolution of the political situation in the country.

Notes to the financial statements

25 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 £18,000 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 currently £20,000.

26 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.

At the year end the balances owed by subsidiary companies to the Company amounting to £8,520,000 were written off to Income statement. Those balances are included in the services figure below.

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

	2012 £000	2011 £000
Europa Oil & Gas Limited	**9,576**	881
Europa Oil & Gas SRL	**4,613**	40
Europa Oil & Gas Resources Limited	**46**	3
Total	**14,235**	924

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

	2012 £000	2011 £000
Europa Oil & Gas Limited		9,240
Europa Oil & Gas SRL	**—**	3,203
Europa Oil & Gas Resources Limited	**—**	29
Total	**—**	12,472

27 Post reporting date events

On 19 September, Europa announced it had identified two large prospects in the Irish South Porcupine Basin.
On 27 September it was announced that the Holmwood planning appeal had been dismissed. The Company is considering future steps with the licence.

Notice of annual general meeting

Notice is hereby given that the 2012 Annual General Meeting (AGM) of Europa Oil & Gas (Holdings) plc (the "Company") will be held at the offices of BDO LLP, 55 Baker Street, London, W1U 7EU at 11.00am on Tuesday 11 December 2012.

Entitlement to attend and vote

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 10.30am on 10 December 2012 shall be entitled to attend and vote at the Meeting.

Appointment of proxies

If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you have received a proxy form with this Notice of Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

A member of the Company entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak and vote on a poll or a show of hands on his/her behalf, provided that each proxy is appointed to exercise the rights attached to a different share or shares held. A proxy need not be a member of the Company. To be valid any form of proxy must be returned to the registered office of the Company being 6 Porter Street, London, W1U 6DD, in hard copy form by post or courier or by hand. In each case, the proxy appointment must be received not later than 10.30am on Sunday 9 December 2012 or otherwise no later than 48 hours before any adjourned meeting together with any authority (or a notarially certified copy of such authority) under which it is signed.

Completion of a Form of Proxy will not preclude a member from attending and voting in person at the meeting should he/she so wish.

In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directors of all of the other corporate representatives for the shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.

Inspection of documents

The following will be available for inspection at the registered office of the Company during usual business hours on any weekday (public holidays excepted) from the date of this Notice until the date of the Meeting, and at the place of the Meeting prior to and during the Meeting.

- The register of the interests of each director and his family in the share capital of the Company
- Copies of service contracts and letters of appointment in respect of each director of the Company

Resolutions to be put to the annual general meeting

As ordinary business:

1. THAT the Annual Report and Accounts for the year ended 31 July 2012 be received and adopted.

2. THAT the auditors of the Company BDO LLP be re-appointed to hold office until the conclusion of the next AGM at which the accounts are laid before the Company and that the directors be authorised to fix their remuneration.

3. THAT Mr WH Adamson, who retires in accordance with the Articles of Association be re-elected as a director of the Company.

4. THAT Mr RJHM Corrie who retires in accordance with the Articles of Association be re-elected as a director of the Company.

5. THAT in accordance with section 551 of the Companies Act 2006 (the "Act") the directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Act respectively up to a maximum aggregate nominal amount of £695,000 to such persons and at such times and on such terms as they think fit provided that this authority shall:

   5.1. operate in substitution for and to the exclusion of any previous authority given to the directors pursuant to section 551 of the Act to the extent unused; and

   5.2. expire on whichever is earlier of the conclusion of the Company's next AGM following the passing of this Resolution and the date which is 15 months from the date of the passing of this Resolution unless such authority is renewed, varied or revoked by the Company in general meeting, save that the Company may prior to such expiry make any offer or agreement which would or might require such shares or rights to be allotted or granted after the expiry of the said period and the directors may allot such shares or grant such rights in pursuance of any such offer or agreement as if the authority hereby conferred had not expired.

As special business:

6. THAT, subject to the passing of Resolution 5, the directors be and are hereby generally and unconditionally empowered in accordance with sections 570 and 573 of the Act to allot equity securities (as defined in section 560 of the Act) for cash, pursuant to the authority conferred on them by Resolution 5 or by way of the sale of treasury shares, as if section 561 of the Act did not apply to any such allotment provided that this power shall operate in substitution for and to the exclusion of any previous authority given to the directors pursuant to sections 570 or 573 of the Act to the extent unused and be limited to:

   6.1. the allotment of equity securities in connection with an issue in favour of holders of ordinary shares in the capital of the Company in proportion (as nearly as maybe) to their existing holdings of ordinary shares as at the record date of such allotment but subject only to such exclusions or other arrangements as the directors deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of, or the requirements of any recognised regulatory body or stock exchange in, any territory; and

   6.2. the allotment (otherwise than pursuant to paragraphs 6.1) of equity securities for cash up to an aggregate nominal amount of £200,000.

The authority granted by this Resolution 6 shall expire on whichever is earlier of the conclusion of the Company's next AGM following the passing of this Resolution and the date which is 15 months from the date of the passing of this Resolution unless such authority is renewed, varied or revoked by the Company in general meeting, save that the Company may prior to such expiry make any offer or agreement which would or might require equity securities to be allotted or granted after the expiry of the said period and the directors may allot such equity securities in pursuance of any such offer or agreement as if the authority hereby conferred had not expired.

By order of the Board

P Greenhalgh
Company Secretary
15 October 2012

Form of proxy for the Europa Oil & Gas (Holdings) plc AGM

Please print in BLOCK CAPITALS

I/we, the undersigned ______________________________

of ______________________________

Being a holder of Ordinary Shares of 1p each of Europa Oil & Gas (Holdings) plc hereby appoint the Chairman of the Meeting, or (note 2)

____

as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the AGM of Europa Oil & Gas (Holdings) plc to be held at the offices of BDO LLP, 55 Baker Street, London, W1U 7EU at 11.00am on Tuesday 11 December 2012 and at any adjournment thereof.

I/we direct my/our proxy to vote on the following Resolutions as I/we have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or abstain from voting at his or her discretion and I/we authorise my/our proxy to vote (or abstain from voting) as he/she thinks fit in relation to any other matter which is put before the Meeting.

Ordinary Business	For	Against
1. Adoption of the Annual Report and Accounts for the year ended 31 July 2012		
2. Appointment and remuneration of the Auditors		
3. Re-election of Mr WH Adamson		
4. Re-election of Mr RJHM Corrie		
5. Authority to allot Ordinary Shares		
Special Business	For	Against
6. Disapplication of pre-emption rights		

Date ______________________________

Signature(s) ______________________________

This form of proxy may be returned in hard copy form by post, courier or by hand to the Company's registered office being 6 Porter Street, London, W1U 6DD.

In each case the proxy appointment must be received not less than 48 hours before the time for the holding of the meeting or adjourned meeting together (except in the case of appointments made electronically) with any authority (or a notarially certified copy of such authority) under which it is signed.

Notes re the form of proxy

1. Please indicate how you wish your votes to be cast in respect of the Resolutions to be proposed at the said meeting. If you do not indicate how you wish your proxy to use your votes, the proxy will exercise discretion both as to how he/she votes and as to whether or not he/she abstains from voting. Your proxy will have the authority to vote at his/her discretion on any amendment or other motion proposed at the meeting, including any motion to adjourn the meeting.
2. If you prefer to appoint some other person or persons as your proxy, strike out the words "the Chairman of the Meeting" and insert in the blank space the name or names preferred and initial the alteration. A proxy need not be a member of the Company. Completion of a form of proxy will not preclude a member from attending and voting in person. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting instructions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and provide them the relevant instructions directly.
3. In the case of joint holders, the signature of the holder whose name stands first in the relevant register of members will suffice as the vote of such holder and shall be accepted to the exclusion of the votes of the other joint holders. The names of all joint holders should, however, be shown.
4. If a member is a corporation, this form must be executed either under its common seal or under the hand of an officer or agent duly authorised in writing. In the case of an individual the proxy must be signed by the appointor or his agent, duly authorised in writing.
5. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Directors and advisers

Company registration number 5217946

Registered office
6 Porter Street
London
W1U 6DD

Directors
WH Adamson – Non Executive Chairman
CW Ahlefeldt-Laurvig – Non Executive
RJHM Corrie – Non Executive
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
5 Fleet Place
London
EC4M 7RD

Auditor
BDO LLP
55 Baker Street
London
W1U 7EU

Nominated advisor 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

AOI
Area of interest

AONB
Area of Outstanding Natural Beauty

APB
Auditing practices board

bbl
A US barrel (equivalent to 159 litres)

bcf
Billion cubic feet

bml
Below mud line (depth below sea bed)

bopd
Barrels of oil per day

BPEL
Blackland Park Exploration Limited

CEO
Chief Executive Officer

CGU
Cash generating unit

CNG
Compressed natural gas

CPR
Competent person's report

Company
Europa Oil & Gas (Holdings) plc

CW
Crosby Warren wellsite

Frack
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

mmboe
Million barrels of oil equivalent

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

SADR
Sahrawi Arab Democratic Republic

SEDA
Standby Equity Distribution Agreement

SIPP
Self invested pension plan

SPE-PRMS
Society of Petroleum Engineers - Petroleum Resources Management System

Spud
To commence drilling a well

tcf
Trillion cubic feet

UCG
Underground Coal Gasification

WF
West Firsby Wellsite

Yorkville
An investment fund managed by Yorkville Advisors UK LLP

Designed and produced by www.carrkamasa.co.uk

MIX
Paper from responsible sources
FSC® C001798
www.fsc.org

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