EUROPA Oil & Gas

High Impact Exploration

Annual Report and Accounts 2018

Europa Oil & Gas (Holdings) plc is an AIM listed exploration and production company focused on very high impact exploration in Atlantic Ireland and supported by revenue from oil production in onshore UK.

HIGHLIGHTS

Operational highlights

OFFSHORE IRELAND

- Six prospects with combined potential of 2.5 trillion cubic feet (tcf) of Gas Initially In Place ('GIIP') mapped on LO 16/20 in the Slyne Basin
- Completed Pre-stack Depth Migration ('PSDM') reprocessing of 1,548km^2 3D seismic covering FEL 1/17 and FEL 3/13, in the South Porcupine. Prospect inventory upgraded to 3.5 billion boe gross mean unrisked prospective resources ('GMUPR') in six prospects
- Completed PSDM reprocessing of 950km^2 3D seismic over FEL 2/13. Prospect inventory identified 817mmboe GMUPR in three top ranked prospects
- Porcupine virtual data room ('VDR') and farmout process opened
- Commenced PSDM reprocessing of 770km^2 3D seismic data over LO 16/20 and preliminary drilling planning for a possible 2019 exploration well on the Inishkea prospect
- Completed 976km^2 3D seismic acquisition over Cairn Energy operated LO 16/19

UK

- PEDL180 (Wressle) the Planning Inspectorate rejected an appeal against North Lincolnshire County Council Planning Committee's decision to reject a planning application for the Wressle oil development. A new planning application for the Wressle oil development has been submitted to North Lincolnshire County Council and is in the review process
- The application to extend planning permission at the Wressle site was refused by the planning committee; an appeal against this decision has been submitted to the Planning Inspectorate

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Financial highlights

- Group revenue of £1.6m (2017: £1.6m)
- Exploration write-off £1.3m (2017: nil)
- Pre-tax loss of £2.3m (2017: loss £0.7m)
- Post-tax loss for the year £2.6m (2017: loss £0.5m)
- Cash used in operating activities £0.48m (2017: cash used £0.26m)
- Net cash balance at 31 July 2018 £1.8m (31 July 2017: £3.6m)

Latest online

Read all our latest news and information on our website at www.europaoil.com

Post reporting date events

- PEDL143 (Holmwood) the Secretary of State for Environment, Food and Rural Affairs, decided not to renew the lease at Bury Hill Wood, Coldharbour Lane leading to a withdrawal of the planning application to drill from the site

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

Focused on building a pipeline of drill-ready opportunities, each of which has game-changing potential.

For an explorer and producer such as Europa, drilling wells is a key value driving activity. While Europa did not participate in drilling activity during the review period, considerable technical work has been undertaken across our asset base to make our prospects drill-ready. We have initiated the planning phase for drilling what could be a transformational well on our Inishkea prospect in the Slyne Basin, offshore Ireland as early as 2019. Our intention is to participate in not one, but a series of high impact wells offshore Ireland and we have therefore been focused on building a pipeline of drill-ready opportunities, each of which has game-changing potential. I am pleased to report that we are on target to exceed the six drill-ready prospects by the end of 2018 foreseen in our last Annual Report and Accounts.

OFFSHORE IRELAND

With six licences covering an area of 4,985km^2 and containing over 30 prospects that potentially hold GMUPR of more than 6.4 billion barrels of oil equivalent and 2.5 tcf of GIIP, Europa has an industry-leading position in Atlantic Ireland. For an oil and gas company of Europa's size to be actively involved in opening up an emerging hydrocarbon region alongside supermajors, majors and large independents such as Exxon, Nexen, Equinor, TOTAL, Woodside and Cairn Energy, is a considerable achievement and one which we intend to build on.

During the year and post period end, technical work programmes have been undertaken across our offshore Ireland portfolio. The objective, specifically for our South Porcupine and Slyne licences, has been to de-risk existing prospects and leads and deliver drill-ready targets. Though work is ongoing, this programme has been highly successful and today Europa has six drill-ready targets, with more expected by the end of the year. We are now in a position to embark on the next phase of exploration in Atlantic Ireland, namely drilling.

In line with this, planning is underway to drill a potentially transformational well as early as 2019 on LO 16/20 in the Slyne Basin, the Group's flagship licence where multiple structures with potentially over 2.5 tcf GIIP have been mapped. The combination of a robust geological model that has undergone rigorous technical scrutiny, the targeting of a gas play that has been proven up by the nearby producing Corrib field and the Shell 18/20-7 gas discovery well drilled in 2010, the close proximity to infrastructure, and relatively low drilling costs due to shallow water depths, all make LO 16/20 a compelling investment. We are therefore focusing on securing industry or financial partners at the project level to enable operations to commence as soon as possible.

Elsewhere work on FELs 2/13, 3/13 and 1/17 in the South Porcupine has been centred on upgrading previously mapped prospects to drill-ready status so that once partners are in place, well planning and drilling can commence. The results have exceeded expectations. Not only has the multi-billion barrel prospectivity of the licences been confirmed and drill-ready targets been defined for each of the licences, but the definition of the structures and geology have been greatly enhanced. The very positive response by the industry to the formal launch of the farmout in July 2018 suggests we are not alone in being impressed by the results.

Subject to farmouts being secured and in line with our strategy, shareholders could soon be exposed to a series of high impact wells offshore Ireland. Furthermore, following a major seismic acquisition programme over the last few years, other operators are moving forward with their own drilling plans. Nexen, for example, is due to drill a well in FEL 3/18 during 2019. Our licences feature all the plays being targeted, including the Cretaceous Fan play (a prolific producer offshore West Africa), the Cretaceous Shelf (which has yielded large discoveries offshore Senegal), the pre-rift play (from which 15 billion barrels have already been produced from the UKCS Brent Province) and the Syn-Rift play (which has attracted considerable investment offshore Newfoundland).
As a result, Europa stands to benefit from any and all successes in Atlantic Ireland.

ONSHORE UK

During the year under review, Europa's production averaged 94 boepd from three fields in the East Midlands petroleum province, confirming Europa's position as the third largest onshore UK oil producer. We constantly strive to increase our production, not just by making new discoveries, but also by evaluating and implementing initiatives to increase production and recovery rates at our existing oil fields. A number of operational initiatives are underway and we hope to be in a position to report the results later in 2018.

Bringing new discoveries online offers the potential to step up production rates. With this in mind, we had hoped the Wressle discovery would be brought onstream in the first half of 2018 at an estimated rate of 500 bopd gross. At this level, our 30% interest would have resulted in more than a doubling of our net production to over 240 boepd. Following two unsuccessful planning applications to develop the field in 2017, both of which had been recommended by North Lincolnshire Council's own planning officers, Wressle remains undeveloped. A new application has since been submitted by the operator, Egdon Resources, and a decision by the Council's Planning Committee is expected later in 2018. The partners are confident that this latest plan comprehensively deals with all outstanding issues and that this lucrative low risk development opportunity will soon gain the necessary approvals to enable it to be brought on stream without further delay.

There has been disappointment for our Holmwood prospect on PEDL143 which lies close to the Horse Hill discovery and Brockham field in the Weald Basin. Post period end the Secretary of State for Environment, Food and Rural Affairs declined to renew the lease for the drill site. As a consequence we have had to withdraw our application to extend planning permission to drill from the Bury Hill Wood site. The plan now is to evaluate PEDL143's remaining prospectivity and develop a forward plan for the licence in conjunction with our partners.

NEW LICENCE AREAS

In the year we have evaluated a number of new opportunities outside our existing portfolio. These have been at various stages of development and I am pleased to report that following completion of a comprehensive new country screening study an application has been made for a high impact exploration licence that has technical synergy with our existing Atlantic margin portfolio. We shall continue to seek projects that will add value, diversity and strength to Europa's portfolio.

BOARD CHANGES

In January 2018, changes were made to the Board, including my appointment as Non-Executive Chairman following Colin Bousfield's decision to step down from this role. I am a petroleum engineer with a background in senior oil and gas management, deal evaluation and execution, fundraising and investor relations most recently with Gemini Oil and Gas and Enterprise Oil. Brian O'Cathain, a geologist and petroleum engineer, was also appointed as a Non-Executive Director. He has held senior technical and commercial roles in major E&P companies, including Shell International, Enterprise Oil and Tullow Oil and gained first-hand knowledge of Corrib and the Slyne Basin when he was Managing Director of Enterprise Oil Ireland with responsibility for advancing Corrib towards development. Together we look forward to continuing our contribution to the exciting future of Europa.

OUTLOOK

A significant part of Europa's strategy is high impact exploration centred on gaining early entry into new plays, undertaking comprehensive technical work to identify and de-risk targets to the point of drilling and then securing partners to take licences forward. Having built up an industry leading licence position in the emerging hydrocarbon hotspot that is Atlantic Ireland and having subsequently established an inventory of high-grade prospects in various plays that is attracting the attention of industry heavyweights, Europa's management and technical teams have shown they can deliver. The Board is therefore keen to replicate this success elsewhere and as a result new ventures that complement Europa's existing skillset and portfolio offshore Ireland and onshore UK licences are being pursued.

Much work still remains to be done across our existing assets, notably securing partners with whom we can drill wells in the South Porcupine and also completing well planning in the proven Slyne Basin so that we are in a position to drill. A considerable amount of activity is taking place both inside and outside our existing portfolio and I look forward to providing further updates during the year ahead, as we focus on exposing our shareholders to multiple value additive opportunities in a cost and risk efficient manner.

I would like to thank the management, employees, consultants and operational personnel for their dedicated work and also the Board for their support and help with the changes during the year.

Finally, may I thank our shareholders for their steadfast support over the past year when we have seen the beginnings of a recovery in our industry which I believe will be to the ultimate benefit of Europa.

SIMON ODDIE
NON-EXECUTIVE CHAIRMAN
16 October 2018

STRATEGIC REPORT

CORRIB AND SLYNE BASIN

Q&A with Brian O'Cathain, Non-Executive Director

Q Can you tell us about the Slyne Basin?

A The Slyne Basin is a sedimentary basin located off the west coast of Ireland. It contains the Corrib gas field and Europa's Inishkea gas prospects in LO 16/20. The proven hydrocarbon system is the Triassic gas play.

Q How are the Corrib field and Inishkea progressing?

A Corrib came on stream in late 2015 and is now an important supply of gas for Ireland. The gas is used for electricity generation and domestic and industrial heating. In 2017 Corrib accounted for 66% of Ireland's gas demand. Corrib is now in long-term decline whereas Ireland's demand for gas is forecast to rise. Europa's Inishkea gas prospects can potentially provide additional gas supply to Ireland growing economy as wells as delivering security of supply, jobs and tax revenue.

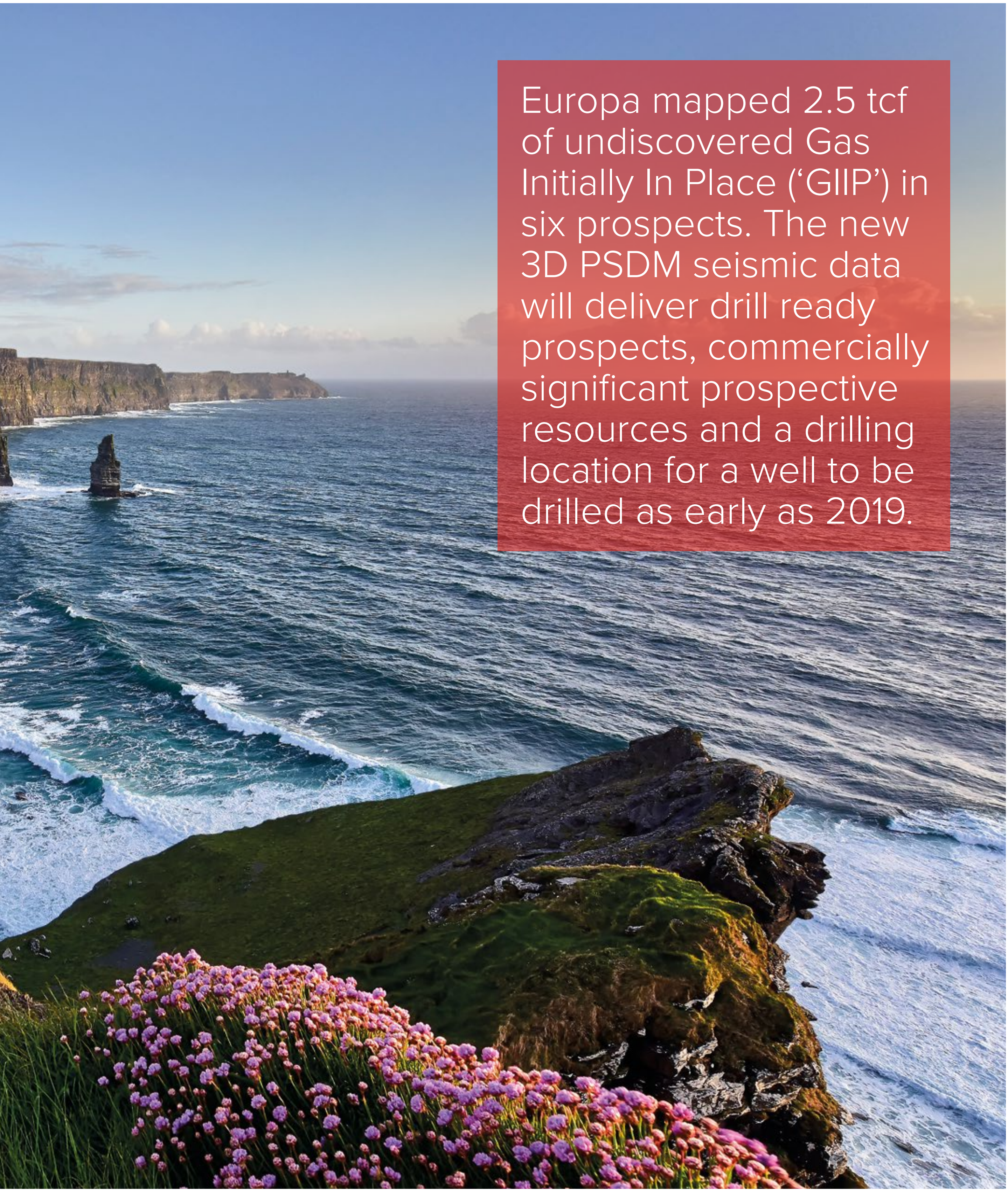
Q Can you tell us some more about your experience and how you are adding value to this project?

A I'm a geologist and petroleum engineer by background. I have significant technical and commercial experience of Corrib and the Slyne Basin. In the early 2000's I was managing director of Enterprise Oil Ireland and was responsible for the Corrib appraisal programme and for obtaining government approval for the Corrib gas field plan of development and Petroleum Lease. My knowledge of Corrib is relevant to Europa's Inishkea project, which is very close to Corrib, and in a similar geological setting.

Q What are your key Inishkea targets over the next few years?

A The key objectives are to complete 3D PSDM reprocessing, interpret the new data, deliver a new prospect inventory, define drilling location(s), drill, and hopefully appraise, develop and bring on stream by 2025.

Cliffs of Moher, County Clare, Ireland



Europa mapped 2.5 tcf of undiscovered Gas Initially In Place ('GIIP') in six prospects. The new 3D PSDM seismic data will deliver drill ready prospects, commercially significant prospective resources and a drilling location for a well to be drilled as early as 2019.

STRATEGIC REPORT

OUR STRATEGY

Europa's objective is to generate substantial shareholder value from the discovery of oil and gas.

Strategy

Europa's strategy is to deploy our technical and evaluation skills to make early ground floor entry into basins with good potential for high impact exploration projects and to participate in projects which can create value for the Company. We seek opportunities where fiscal terms are good, entry costs are low, historic data is readily available and with a well organised and supportive industry regulator. Our preference is for jurisdictions where political, regulatory and security risks are low. We build the technical case and bring in industry partners sometimes through farmout to fund higher cost activity such as 3D seismic acquisition and most importantly drilling.

We will actively manage the portfolio to accelerate, terminate or hold projects as appropriate to the prevailing circumstances.

Europa has an industry leading position in Atlantic Ireland across a range of hydrocarbon plays and basins and this is a key location for high impact exploration. We are actively seeking new opportunities for high impact exploration in new jurisdictions.

Onshore UK is a source of real oil production and is generating real revenue. We are seeking to maximise production in our existing operated fields as well as considering new opportunities in the production space.

STRATEGY IN ACTION

Read more on our Operations
page 8

Our key performance indicators

NON-FINANCIAL KPIs

1. Health, safety and environmental measures
2. Production (boepd and non-productive time)
3. Progress with all the licences in which the Group has interests
4. Participation in ongoing and future licensing rounds

Non-financial analysis is provided in the Operations review on pages 8 to 13

FINANCIAL KPIs

1. Revenue
2. Profit
3. Cash from operations
4. Net cash balance

Financial analysis is provided in the Operations review on page 13

Operations and development

The principal activity of the Group is investment in oil and gas exploration, development and production. The Group's assets and activities are currently located in Ireland and the United Kingdom. The Board regards Atlantic Ireland as the main core area where we have built a portfolio of potentially company-making exploration projects. The Board is considering other investments in the North Atlantic, Europe and the Mediterranean.

OUR PORTFOLIO

COUNTRY	AREA	LICENCE	FIELD/ PROSPECT	OPERATOR	EQUITY	STATUS
Ireland	South Porcupine	FEL 2/13	9 prospects and leads incl. Kiely East	Europa	100%	Exploration
		FEL 3/13	Beckett, Wilde, Shaw	Europa	100%	Exploration
		FEL 1/17	Ervine, Edgeworth, PR3	Europa	100%	Exploration
		LO 16/19	2 leads	Cairn	30%	Exploration
	Slyne Basin	LO 16/20	6 prospects and leads	Europa	100%	Exploration
	Padraig Basin	LO 16/22	6 leads	Europa	100%	Exploration
UK	East Midlands	DL 003	West Firsby	Europa	100%	Production
		DL 001	Crosby Warren	Europa	100%	Production
		PL 199/215	Whisby-4	BPEL	65%	Production
		PEDL180	Wressle	Egdon	30%	Development
		PEDL181		Europa	50%	Exploration
		PEDL182	Broughton North	Egdon	30%	Exploration
		PEDL299	Hardstoft	Ineos	25%	Field
		PEDL343	Cloughton	Third Energy	35%	Appraisal
	Weald	PEDL143	Holmwood	Europa	20%	Exploration

STRATEGIC REPORT

OPERATIONS

Offshore Ireland

EXPLORATION

Europa's portfolio of six licences in Atlantic Ireland covers an area of over 4,985km^2, includes six play types in three basins and contains over 30 prospects and leads that potentially hold over 6.4 billion barrels GMUPR of oil and 2.5 tcf of gas ('GIIP').

The region has seen considerable activity and investment by supermajors, majors and leading independents in recent years. Specifically, ~30,000km^2 of 3D seismic has been acquired by blue chip operators such as Exxon, Woodside, Nexen, Cairn and Equinor as part of work programmes centred on de-risking a diverse range of plays that have proven to be prolific elsewhere in the North and South Atlantic margins. In the South Porcupine Basin, these include the Cretaceous Fan and Shelf plays which are considered to be analogous to the Jubilee and Mahogany oil fields in the equatorial Atlantic Margin province and Cairn's SNE discovery, offshore Senegal; the Pre-rift that is analogous to the North Sea Brent Province and Syn-rift plays that are analogous to the Flemish Pass play offshore Newfoundland. Meanwhile due to the producing Corrib gas field, Triassic gas is a proven play in the Slyne Basin. Europa has a diversified prospect portfolio and is exposed to all these hydrocarbon plays. Any success in the region by other operators is therefore expected to have a positive read across for the Company.

The acquisition and interpretation of substantial volumes of 3D seismic data by the industry has taken place over the last five years and represents the first phase of exploration in the Irish Atlantic Margin. The next five-year stage is likely to involve a sustained period of drilling activity, starting in 2019 with Nexen testing the Iolar prospect on FEL 3/18. Europa intends to play an active role in this drilling phase, initially at its flagship Inishkea gas exploration project near the Corrib gas field in LO 16/20. Here the Company has identified 2.5 tcf of GIIP across six prospects on the licence. In parallel with ongoing work to upgrade the prospects on LO 16/20 to drill ready status, planning has commenced with a view to drilling a well in 2019.

Outside LO 16/20, during the period a substantial 2,498km^2 Pre- Stack Depth Migration ('PSDM') 3D seismic reprocessing project was completed over the Company's three operated licences in the South Porcupine, FELs 2/13, 3/13 and 1/17. Following this work, Europa now has six drill-ready targets in the basin: Kiely East and Kiely West in FEL 2/13, Beckett and Wilde in FEL 3/13 and Edgeworth and Ervine in FEL 1/17. Our top ranked prospects for site survey and drilling are Kiely East, Wilde and Edgeworth. A virtual data room for prospective farminees was opened in July 2018 with the objective to secure partners to drill wells on the Company's Porcupine licences. Target farminees are supermajors, majors and large independents and they are currently active in both the physical and virtual data rooms.

Slyne Basin: LO 16/20 (Inishkea)

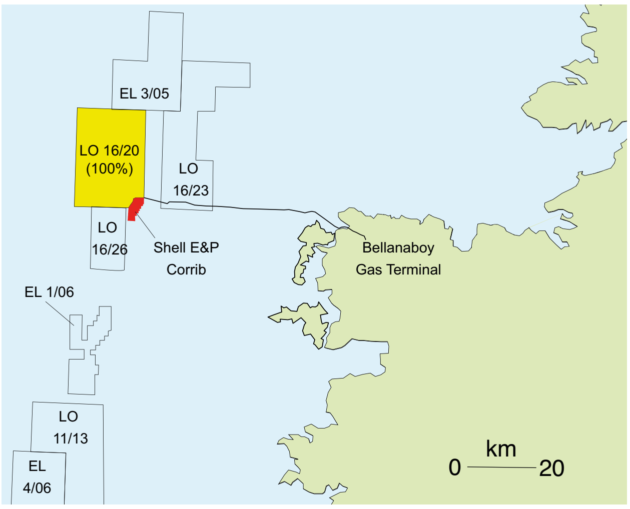
LO 16/20 is located in the Slyne Basin adjacent to the producing Corrib gas field. Unlike licences in the South Porcupine Basin, LO 16/20 is very much exploration in a proven basin comprised of Triassic sandstone reservoirs in tilted fault block structures, with gas generated from Carboniferous source rocks.

In 2010, Shell drilled the 18/20-7 exploration well into the Corrib North structure on LO 16/20, 7km from the Corrib gas field. Recently released well data has revealed that the well encountered a 70m gas column in the same Triassic sandstone reservoir as the Corrib field. As drilling was terminated in the reservoir, Europa believes the full gas column could be up to 170m and the surface area of the structure could extend to 5.75km^2. The presence of a gas reservoir substantially de- risks not just Corrib North but other prospects on the licence.

Based on the interpretation of historic 3D and 2D seismic, Europa has to date identified 2.54 tcf GIIP in six prospects and leads in the Triassic Gas hydrocarbon play on LO 16/20 (see table):

PROSPECT	GIIP (TCF)
Corrib North discovery	0.04
Inishkea	1.10
Inishkea NW	1.09
Inishkea W	0.21
Corrib NW	0.03
Bofin lead	0.07
Total	**2.54**

The over 2 tcf of prospective GIIP on LO 16/20 is likely to result in significant prospective resources assuming the 80% recovery factor achieved at Corrib is appropriate. The Inishkea prospects are in relatively shallow water in a proven gas play some 18km from the Corrib gas field and associated infrastructure connecting it to the 350 million cubic feet of gas per day Bellanaboy gas processing plant. The Corrib field production is currently in decline and spare capacity may become available in the Corrib gas infrastructure well before any LO 16/20 discovery would be developed. LO 16/20 offers low risk, high impact exploration prospects that can be potentially fast tracked to commercialisation. As a result, during the year under review the Inishkea prospects were upgraded by the Group to flagship status.



The objective is to be able to drill a well on LO 16/20 in 2019. To get to this point, various work streams are being run concurrently to upgrade the prospects to drill ready status, oversee well planning, find a rig and secure funding partners. PSDM reprocessing of the existing 3D seismic is being undertaken to upgrade the quality of the data, deliver a new prospect inventory and de-risk the prospects. Reprocessing started in March 2018 and remains on course to be completed on schedule and on budget in Q4 2018. At this point and subject to the results, a drill location for an Inishkea exploration well will be identified and we anticipate adding further drill ready prospects to the six already identified in the South Porcupine. OPC, a specialist subsurface and production engineering group, has been engaged for porosity and permeability modelling, development scenarios and costings.

Given these circumstances, the Company is confident its dual focused strategy to fund an Inishkea exploration well will be successful either by securing industry partners via a conventional farmout or financial partners investing directly into the Company's wholly owned subsidiary Europa Oil & Gas (Inishkea) Limited.

South Porcupine Basin: FELs 1/17, 2/13 and 3/13

Europa holds four licences in the South Porcupine Basin. These include three operated licences, FELs 1/17, 2/13 and 3/13, which are estimated to hold gross mean un-risked prospective resources of 4.3 billion barrels of oil equivalent ('boe') across our top nine prospects, including firm drilling targets Edgeworth in FEL 1/17, Wilde in 3/13 and Kiely East in 2/13. The above volumetrics utilise prospect mapping based on the 2017 and 2018 reprocessed PSDM 3D seismic data originally acquired in 2013. This has resulted in a marked improvement in seismic quality and a substantial de-risking of the prospect inventory. The table below summarises the GMUPR across selected prospects in FELs 1/17, 2/13 and 3/13 in the South Porcupine Basin:

The new PSDM datasets for FEL 3/13, FEL 1/17 and FEL 2/13 from reprocessing completed in October 2017 and May 2018 has not only resulted in changes to the respective prospect volumes but, by significantly improving the accuracy of the maps, have substantially increased the Company's confidence in the numbers. For example, the reprocessed data provided new insights into the Cretaceous fan prospects including the best evidence yet of hydrocarbons including updip pinchout, a gas-oil contact and conformance to structure.

The completion of the PSDM programme and new prospect inventory acted as the trigger for the opening of a virtual data room for prospective farminees to our three South Porcupine licences. Despite only launching in July 2018, the Company has been highly encouraged by the numbers of companies who have already entered or are seeking access to both the physical and virtual data rooms.

The 2019 Nexen well in FEL 3/18 will drill the Iolar prospect. We understand that this is a pre-rift play, Europa has five pre-rift prospects in FEL 2/13 and FEL 1/17 with combined GMUPR of just over 1 billion boe. If Iolar is successful there may be positive technical and commercial read-across resulting in a de-risking of Europa's prospects.

			GROSS UN-RISKED PROSPECTIVE RESOURCES (MMBOE*)			
LICENCE	PROSPECT	PLAY	LOW	BEST	HIGH	MEAN
FEL 1/17	Ervine	Pre-rift	63	159	363	192
FEL 1/17	Edgeworth	Pre-rift	49	156	476	225
FEL 1/17	Egerton	Syn-rift	59	148	301	167
FEL 3/13	Beckett	Mid-Cretaceous Fan	111	758	4,229	1,719
FEL 3/13	Shaw+	Mid-Cretaceous Fan	20	196	1,726	747
FEL 3/13	Wilde	Early Cretaceous Fan	45	241	1,082	462
FEL 2/13	Kiely East+	Pre-rift	52	187	612	280
FEL 2/13	Kiely West+	Pre-rift	23	123	534	225
FEL 2/13	Kilroy+	Cret. Slope Apron	37	177	734	312
TOTAL						**4,329**

*Million barrels of oil equivalent. The hydrocarbon system is considered an oil play and mmboe is used to take account of associated gas.
+Prospect extends outside licence, volumes are on-licence.

STRATEGIC REPORT

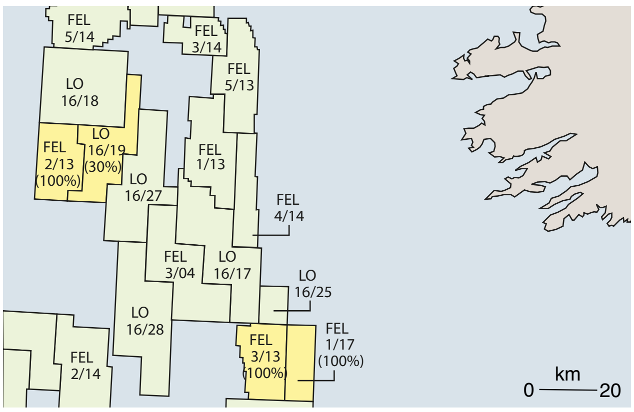
OPERATIONS (CONTINUED)

Offshore Ireland (continued)

South Porcupine Basin: LO 16/19
Europa holds a 30% interest in the Cairn-operated LO 16/19 on the west side of the South Porcupine. 3D seismic was acquired in mid-2017 and delivery of a final processed product is expected in Q4 2018 leading to a prospect inventory in 2019. Following the farm-out in April 2017, Europa is carried on this work programme by Cairn Energy up to a cap of US$6 million.

Padraig Basin: LO 16/22
LO16/22 is located in the Padraig Basin on the eastern margin of the Rockall Trough. The most relevant analogue for Padraig, which is a remnant Jurassic basin, is the conjugate margin play offshore Newfoundland in the Flemish Pass Basin and which hosts the 300 million barrel Bay du Nord oil discovery made in 2013. While the South Porcupine Basin is also a possible analogue for the Flemish Pass Basin, Europa's restoration of the conjugate margin prior to the spreading of the Atlantic seafloor suggests the Padraig could be a better fit. Recent geochemical studies on light oil recovered from seabed cores show the presence of the bisnorhopane biomarker and indicates an affinity with Late Jurassic sourced oil similar to the Dooish discovery in Rockall and West of Shetland oil fields.

Structures of significant size have been mapped on 2D seismic acquired in 1998, along with multiple leads in both pre-rift and syn-rift hydrocarbon plays in water depths ranging from 800m to 2,000m. Gross mean un-risked indicative resources are estimated to be approximately 500 million boe. Work is underway to mature the leads to prospect status using historic 2D seismic and building on the high-quality technical work previously conducted by major oil companies.



Slyne Basin: LO 16/21
Following completion of the agreed work programme, including a full technical assessment, Europa concluded that the prospectivity of LO 16/21 was limited. Europa believes that the licence would compete poorly with other prospects in Atlantic Ireland and be unlikely to attract drilling funds in the short to medium term. On that basis, we decided to relinquish the licence. Relinquishment became effective 30 June 2018. Accumulated expenditure of £97,000 was written-off in the period.

LO 16/19 – 3D seismic data acquired

- Farmed out to Cairn April 2017
- Summer 2017: 3D seismic acquired
- 3D seismic processing in progress
- Convert to FEL late 2018
- Final 3D product H2 2018
- Prospect inventory H1 2019
- Cretaceous fan play
- Fed by channels in FEL 2/13

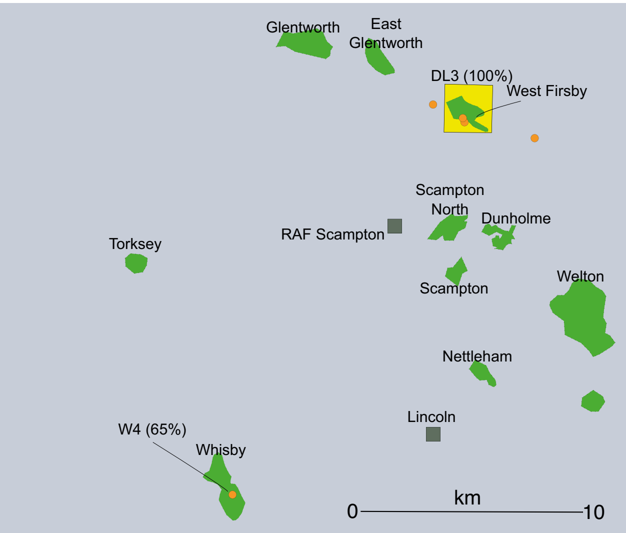
Onshore UK

PRODUCTION

East Midlands: West Firsby; Crosby Warren; Whisby-4

Europa produces from three oilfields in the East Midlands: West Firsby (100% working interest); Crosby Warren (100% working interest); and the Whisby-4 well (65% non-operated interest). During the 12 months to 31 July 2018, 94 boepd were recovered from the three fields (2017: 113 boepd) with all the oil transported by road to the Immingham refinery. In terms of UK onshore oil production (excluding gas) Europa ranks third behind the Wytch Farm Group and IGas.

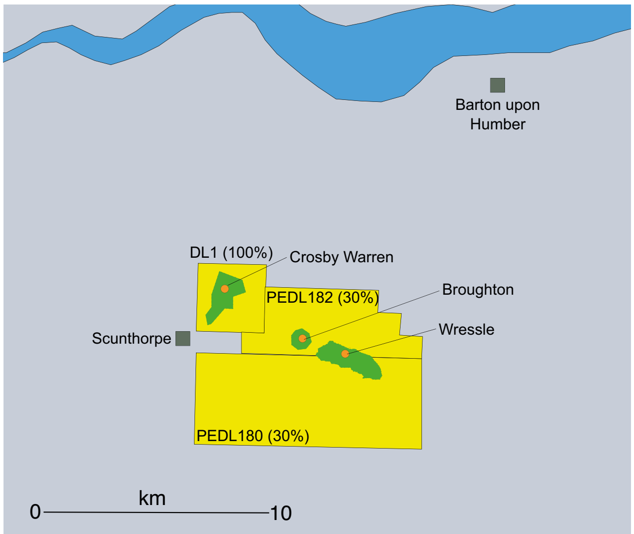
At current oil prices the Company's existing production covers our operating overhead. Initiatives are underway to increase production at the existing operated oil fields at Crosby Warren and West Firsby. This work is expected to be completed in the fourth quarter of 2018.



DEVELOPMENT

East Midlands: PEDL180 (Wressle); PEDL182 (Broughton North)

The Wressle oil discovery is located on PEDL180 which lies on the same structural trend as, and 5km southeast of, Europa's producing Crosby Warren field. The Wressle-1 conventional exploration well was drilled in August 2014 and production testing in 2015 delivered a combined flowrate of over 700 boepd from three reservoir intervals: Ashover Grit; Wingfield Flags; and Penistone Flags. Reservoir engineering analyses indicate an initial production flow rate of 500 bopd gross from the Ashover Grit interval at Wressle. The Broughton North exploration prospect on PEDL182 lies adjacent and north of PEDL180. In 1984, a well drilled by BP discovered oil at Broughton.



A CPR undertaken in 2016 by ERCE assigned gross 2P reserves of 0.65 million boe to the Wressle structure in the Ashover and Wingfield Flags and gross 2C contingent resources of 1.86 million boe in the Penistone Flags. The CPR also assigned gross mean un-risked prospective resources of 0.6 million boe and a geological chance of success of 50% to Broughton North.

In January 2018 the Planning Inspectorate rejected an appeal by the partnership against North Lincolnshire Council Planning Committee's decision to refuse planning permission for the Wressle oil development. A new planning application for the Wressle oil field development was submitted in July 2018 by the operator Egdon Resources. This is currently being processed by North Lincolnshire Council's planning officers ahead of their recommendation being made to the Council's Planning Committee, expected later in 2018. A separate application to extend planning consent at the Wressle site to 1 August 2019 was also submitted but, despite being recommended for approval by the Council's planning officers, was refused by the Planning Committee in August 2018. The partners have submitted an appeal against this refusal to the Planning Inspectorate.

STRATEGIC REPORT

OPERATIONS (CONTINUED)

Onshore UK

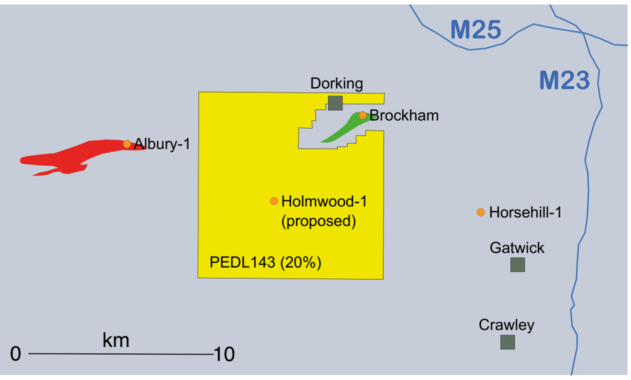
We have considered the possible impairment of the PEDL180 asset in the light of the planning decisions. The Council's professional planning officers have consistently recommended the development for approval and we continue to believe that the case for a development of the Wressle discovery is strong and the partnership is committed to bringing the field into production (see note 1 – Critical accounting judgements and key sources of estimation uncertainty and note 10).

Europa holds a 30% working interest in PEDLs 180 and 182. On 24 November 2016, Europa agreed the sale of a 10% interest in the two licences to Upland Resources. Completion of the sale was subject to planning and Field Development Plan ('FDP') approvals. Following the decision by the Planning Inspector in January 2018 to reject the appeals by the operator Egdon against the two planning refusals by North Lincolnshire County Council's Planning Committee, Upland elected to withdraw from the sale agreement and Europa has repaid the £160,000 deposit to Upland in the period.

EXPLORATION

Weald Basin: PEDL143 (Holmwood)

Europa holds a 20% interest in and is the operator of PEDL143, which lies in the Weald Basin, Surrey, 8km to the East of the Horse Hill discovery. PEDL143 contains the Holmwood conventional oil prospect which was assigned gross mean prospective resources of 5.6 million boe.

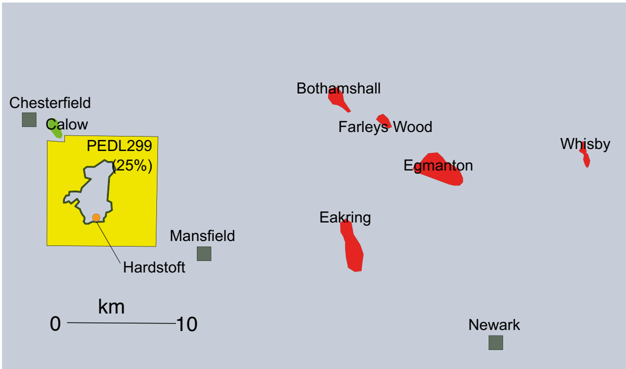


In September 2015 planning permission was granted to drill a temporary exploratory borehole from the Bury Hill Wood site to a depth of 1,400m. In July 2018, the Environment Agency granted a permit to allow the drilling and testing of a single well for the purposes of oil and gas exploration. The initial term of PEDL 143 was extended by the Oil and Gas Authority to 30 September 2020.

Post period end, the Secretary of State for the Environment, Food and Rural Affairs, refused an application to extend the site lease and acting on behalf of the partnership, Europa withdrew its application to extend planning permission to drill the Holmwood exploration well from the Bury Hill Wood site. The partnership has since reinstated the site. The remaining prospectivity of PEDL143 will now be considered which, in addition to the established Portland sandstone reservoirs, includes the Kimmeridge Limestone, an emerging play in the Weald Basin. As evidence of possible impairment existed prior to the reporting date, we have written down the value of the intangible asset being largely the investment to date in obtaining planning permission to drill from the Bury Hill Wood site, a charge to income of £1,145,000.

East Midlands: PEDL299 (Hardstoft)

PEDL299 contains the Hardstoft oil field which was discovered in 1919 by the UK's first ever exploration well. Hardstoft produced 26,000 barrels of oil from Carboniferous limestone reservoirs in the 1920s. We believe there is more oil in the Hardstoft structure and gross 2C contingent resources of 3.1 million boe and gross 3C contingent resources of 18.5 million boe were identified in a CPR



issued by joint venture partner Upland Resources. We believe that application of modern production testing and drilling methodologies could well lead to commercial oil flowrates being achieved. Europa's interest in PEDL299, which is restricted to the conventional prospectivity including Hardstoft, is 25%, alongside Upland 25% and INEOS, the operator, 50%.

Cleveland Basin: PEDL343 (Cloughton)

PEDL343 contains the Cloughton gas discovery, which was successfully drilled by Bow Valley in 1986 and flowed a small amount of gas to surface on production test from conventional Carboniferous sandstone reservoirs. Europa regards Cloughton as a gas appraisal opportunity with the critical challenge being to obtain commercial flowrates from future production testing operations. Europa holds a 35% interest in PEDL343 alongside Arenite 15%, Third Energy 20% (operator), Egdon Resources 17.5% and Petrichor Energy 12.5%.

Southern North Sea: Block 41/24

In December 2017, Europa announced the sale of its 50% interest in Promote Licence P2304 (UKCS Block 41/24) to Egdon along with joint venture partner Arenite Petroleum Limited ('Arenite') which also sold its 50% interest to Egdon as part of the same transaction. P2304 is located to the immediate south of Egdon's 100% owned licence P1929 (UKCS Blocks 41/18 and 41/19) offshore North Yorkshire. £46,000 spent on the licence was written-off in the period.

East Midlands: PEDL181

PEDL181 provides exposure to the hydrocarbon potential of the Humber Basin. The licence has technical synergy with the adjacent PEDL334 which was awarded to an Egdon Resources-led group in the 14th Round for the purpose of conventional and unconventional exploration.

NEW VENTURES

In the period, Europa has considered potential new venture opportunities in seven countries outside of Ireland and the UK. These range from greenfield exploration to brownfield re-development projects in North Africa, Western Europe, and Central Europe. Only those opportunities which stand up to robust technical and commercial scrutiny and which meet the Company's strict investment criteria, particularly in terms of cost, strategic fit, political, security and regulatory risk, and have clearly defined paths to value creation are being pursued. We continue to screen possible new ventures in areas which fit well with Europa's strategy and technical skillset.

NON-FINANCIAL KPIs

There were no reportable accidents or incidents in the year (2017: zero). The Environment Agency completed the repermitting of the Crosby Warren and West Firsby sites in the year.

There were no new licence awards in the year (2017: zero).

FINANCIALS

Revenue was £1.6 million (2017: £1.6 million). An improving oil price offset the decline in production and unfavourable exchange rates during the period. The average oil price achieved was US$64.5/bbl (2017: US$48.9/bbl) and the average Sterling exchange rate was US$1.35 (2017: US$1.27). An average of 94 boepd (2017: 113 boepd) was recovered from our three UK onshore fields, down as a result of natural decline and the loss of around 10 boepd from the West Firsby 6 well. Work aimed at restoring production from West Firsby 6 is ongoing.

Stringent cost controls continue to be implemented. Cost of sales was £1,365,000 (2017: £1,459,000).

Administrative expenses of £967,000 (2017: £553,000) included £151,000 spent on projects and £229,000 on new licence evaluations. In January 2018 salaries of head office staff were restored to their 2016 levels.

Net cash spent on operating activities was £479,000 (2017: cash spent £255,000).

Purchase of intangible fixed assets of £1.3 million (2017: £1.5 million) was largely spent advancing the Irish portfolio and on Holmwood. The Holmwood intangible asset was subsequently largely written off. As a result of the delay in receipt of planning consent for the Wressle development, £160,000 was repaid to Upland Resources.

A deferred tax asset in respect of accumulated tax losses of the Group was de-recognised in the period, to the extent that it exceeded the deferred tax liability as the timing of utilisation of those losses is uncertain. That resulted in a £0.7 million charge to the income statement.

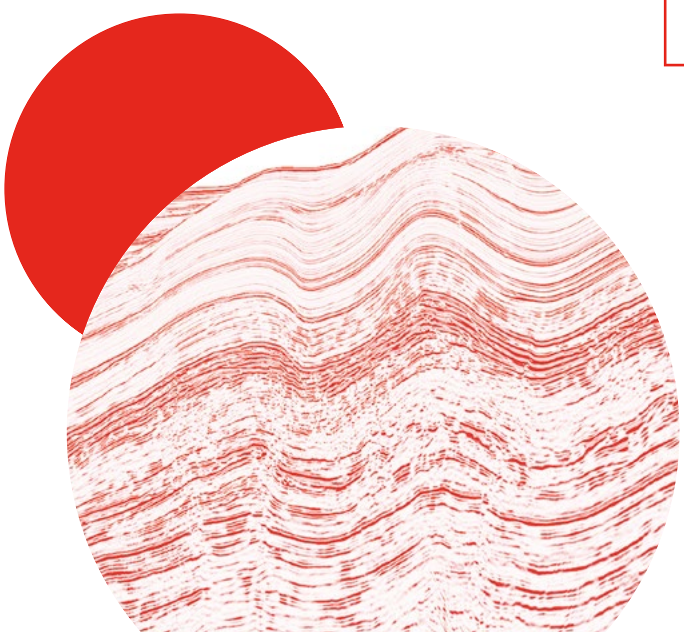
The Group's cash balance at 31 July 2018 was £1.8 million (31 July 2017: £3.6 million).

CONCLUSION AND OUTLOOK

The team's confidence in the Company's Atlantic Ireland licences has never been stronger. The results of the technical work on our three operated licences in the South Porcupine are eye-catching and have already attracted the target blue-chip audience to the recently opened data rooms. Ongoing work in the proven Triassic gas play in the Slyne Basin meanwhile has encouraged us to commence well planning so that we are able to drill a well in 2019. With 2.5 tcf GIIP, a well on LO 16/20 would target substantial commercial volumes of gas. At a time when the decline of the nearby Corrib field is expected to gather pace, a discovery on LO 16/20 could become a major part of Ireland's energy supply. Together with access to existing infrastructure and a strong gas price outlook, the Inishkea project is worthy of flagship status.

Nexen's upcoming well in FEL 3/18 is anticipated to herald a new wave of drilling activity in Atlantic Ireland. We are working hard to ensure Europa does not merely watch from the sidelines in the knowledge that our industry leading licence position, which provides us with exposure to all the various plays being targeted, will benefit from any success in the region. Europa has played a pioneering role in Atlantic Ireland exploration and we intend to continue doing so by being directly involved in the next phase of activity, either by drilling wells as an operator or as a partner alongside major industry players.

HGD MACKAY
CHIEF EXECUTIVE OFFICER
16 October 2018



STRATEGIC REPORT

RISKS AND UNCERTAINTIES

Europa's activities are subject to a range of financial risks including commodity prices, liquidity, exchange rates and loss of operational equipment or wells.

These risks are managed with the oversight of the Board and the Audit Committee through ongoing review taking into account the operational, business and economic circumstances at that time. The primary risk facing the business is that of liquidity.

KEY RISK	DESCRIPTION AND IMPACT	MITIGATION
FINANCIAL RISK		
Funding	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. Licences may be revoked by the relevant issuing authority if commitments under those licences are not met. Further details of current licence commitments are given in notes 11 and 22.	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 the placing of Europa shares in the market and the trading of assets.
Commodity price and foreign exchange	Each month's oil production is sold at a small discount to Brent price in US Dollars. These funds are matched where possible against expenditures within the business. As most capital and operating expenditures are Sterling denominated, US Dollars are periodically sold to purchase Sterling. A fall in oil price could make some projects economically unviable. All oil production is sold to one UK based refinery – if they were to stop buying Europa's crude, additional transportation costs would be incurred.	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.
OPERATIONAL RISK		
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. There are numerous risks inherent in drilling and operating wells, many of which are beyond the Company's control. Operations may be curtailed, delayed or cancelled as a result of environmental hazards, industrial accidents, occupational and health hazards, technical failures, weather, reservoir pressures, shortage or delays in the delivery of rigs and 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.	Current production comes from four oil wells located at three different sites. This diversity of producing assets gives Europa resilience in the event of a problem with one well, or site. Appropriate insurance cover is obtained annually for all of Europa's exploration, development and production activities.
Planning risk	Securing planning consent for onshore wells takes times and the outcome of planning applications is not certain.	The Group engages planning and legal specialists in the field.

On behalf of the Board

PHIL GREENHALGH
FINANCE DIRECTOR
16 October 2018

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

The Board intends to continuously review its governance framework in line with the Company's plans for growth.

HOW WE GOVERN THE GROUP

As Chairman of Europa Oil & Gas (Holdings) plc, it is my responsibility to ensure that the Board is performing its role effectively and has the capacity, ability, structure and support to enable it to continue to do so.

Changes to AIM rules introduced on 30 March 2018 require AIM-quoted companies to apply a recognised corporate governance code by 28 September 2018. The information on Corporate Governance set out below and, on the website, *www.europaoil.com* is, in the opinion of the Board, fully in accordance with the revised requirements of AIM Rule 26.

The Board has determined that the Quoted Companies Alliance ('QCA') Corporate Governance Code for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26) would be the most appropriate for the Group to adhere to.

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation of how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each. The Board considers that it does not depart from any of the principles of the QCA Code during the period under review.

The last twelve months has seen, amongst others, the following governance developments:

- Appointment of two new independent Non-Executive Directors – Simon Oddie as Non-Executive Chairman and Brian O'Cathain as Non-Executive Director
- Brian O'Cathain appointed as chair of the Remuneration Committee
- Roderick Corrie appointed as Senior Independent Director
- Simon Oddie and Roderick Corrie resolved to attend more shareholder meetings in 2019
- A board evaluation review in September 2018, the main action points arising being:
  - To reduce the number of Board meetings in 2019 with a likely increase in the number of subcommittee meetings
  - To look for a female member at the next opportunity
  - To reconsider succession planning, remuneration and incentives
  - To review and test emergency action plans

For the purposes of clarity, the description of how the Group complies with the ten principles of the QCA Code begins with a summary of those areas where the Group does not fully comply, followed by a review of each of the principles in turn.

GOVERNANCE

CHAIRMAN'S INTRODUCTION TO GOVERNANCE (CONTINUED)

PRINCIPLE 6:	ACTION
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities. "The Board should understand and challenge its own diversity, including gender balance, as part of its composition."	The Board has resolved to look for a female member at the next opportunity to add or replace a director.

PRINCIPLE 7:	ACTION
Evaluate board performance based on clear and relevant objectives, seeking continuous improvement. "Succession planning is a vital task for boards."	The Remuneration Committee has resolved to reconsider succession planning in the coming year.

REVIEW OF EACH OF THE QCA PRINCIPLES

PRINCIPLE 1:	
Establish a strategy and business model which promote long-term value for shareholders.	Our strategy is described here: *http://www.europaoil.com/strategy.aspx* Also note: • The Board holds an annual review of strategy, the next is scheduled for November 2018 • Strategy is assessed by discussion between the Directors • We do not use risk assessment as a strategy

PRINCIPLE 2:	
Seek to understand and meet shareholder needs and expectations.	The Company engages with shareholders by: • Publishing periodic newsletters • Emailing Regulatory News Service ('RNS') announcements to its subscriber list • Replying to investor questions sent to mail@europaoil.com either directly or through St Brides Partners Limited • Proactive Investor presentations and interviews (made available on the website by links to "YouTube" recordings) • Conducting at least twice-yearly meetings with major shareholders on its results roadshows to obtain a balanced understanding of their issues and concerns Shareholder liaison is the responsibility of the CEO and Chairman, with assistance from the Finance Director and the SID. At the last AGM, voting did not indicate any specific shareholder concerns. The Chairman and SID have resolved to meet more key shareholders in the coming year.

PRINCIPLE 3:	
Take into account wider stakeholder and social responsibilities and their implications for long-term success.	Key stakeholders are: • Phillips 66 • Employees and consultants • Regulators (PAD, OGA, EA, HSE, Local Authorities) • Local communities The CEO provides a weekly report to the Board which includes a section on Stakeholder and Social Responsibility. This includes Stakeholder feedback from multiple sources. Europa is a member of the UK Onshore Operator Group ('UKOOG') and through this forum has regular meetings with the EA and HSE. As part of the planning process at Holmwood, Europa ran a number of town hall meetings to help explain the proposed development. Engagement with UKOOG has helped improve our submissions to various regulatory authorities. Europa is a member of the Irish Offshore Operators Association ('IOOA') which enables engagement with key stakeholders in Ireland.
PRINCIPLE 4:	
Embed effective risk management, considering both opportunities and threats, throughout the organisation.	The CFO has prepared a risk register for the Group that identifies key operational and financial risks. All members of the Board are provided with a copy of the register. The register is reviewed at least annually and is updated as and when necessary. The Audit Committee monitors the integrity of the financial statements and related announcements, reviews the Company's internal control processes and risk management systems, and reports its conclusions to the Board. The committee regularly reviews the effectiveness of the Company's systems and risk management. Within the scope of the annual audit, specific financial risks including foreign currency, interest rates, liquidity and credit are evaluated in detail. All members of staff and contractors are provided with a handbook which includes sections on share dealing, bribery and whistle-blowing. The handbook is updated and reissued regularly. We do not currently have a risk management framework, a risk management improvement programme a risk training programme, workshops, "risk appetite" or monitoring dashboard but will review if any of these would be beneficial in the coming year.

GOVERNANCE

CHAIRMAN'S INTRODUCTION TO GOVERNANCE (CONTINUED)

PRINCIPLE 5:	
Maintain the Board as a well-functioning, balanced team led by the chair.	All of the four NED's are considered by the Board to be independent. Biographies are available at: *http://www.europaoil.com/directors.aspx* Three of the Board's Non-Executive Directors, Simon Oddie, Roderick Corrie and Brian O'Cathain hold share options. Whilst recognising that the granting of options to Non-Executive Directors can be deemed to compromise independence in accordance with the principles of the QCA Corporate Governance Code, the Board views this to be part of a balanced remuneration package to attract and retain high quality candidates and considers the numbers of options to have no effect upon the independence of these Directors as the sums are insignificant in the context of the individual's financial circumstances. Two of the Board's Non-Executive Directors, William Ahlefeldt-Laurvig and Roderick Corrie, have been members for more than the nine years recommended by QCA Corporate Governance Code. The Board believes them to be independent in character and free from any relationship that could affect their independent judgement. This is demonstrated by their objective and active contribution in Board meetings and their voting record. The appointment of Simon Oddie and Brian O'Cathain in January 2018 has compensated somewhat for their seniority and reduced the average tenure of the Board. Directors serving more than 6 years will be proposed for re-election at each AGM. Hugh Mackay (CEO) and Phil Greenhalgh (FD and Company Secretary) are full time employees. Simon Oddie (Non-Executive Chairman); Brian O'Cathain, Roderick Corrie and William Ahlefeldt-Laurvig (all Non-Executive Directors) are all expected to devote such time as is necessary for the proper performance of their duties including attendance at up to eleven Board meetings per year, the AGM, and Board committee meetings. The minimum numbers of meetings for committees are: Audit Committee – two; Remuneration Committee – one (though there was no Remuneration Committee meeting held in the period – the last meeting was held 8 June 2017); and Nomination Committee – one. Meetings held and attendance records of all directors for the period 1 August 2017 to 31 July 2018 are set out on the website. The Board is balanced in terms of experience, and the split between Executive and Non-Executive Directors. All Board and Board committee members received agenda and associated papers a few days in advance of meetings.

PRINCIPLE 6:	
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	Members of the Board of Directors are listed at *http://www.europaoil.com/directors.aspx* including their relevant experience, skills and personal qualities. There is an appropriate breadth of experience covering the key aspects of the business including technical, operational, financial and international. The gender balance needs to be addressed and is under consideration. It is the responsibility of each director to keep skills up to date with the assistance of the Chairman who has a core responsibility in addressing the development needs of the Board as a whole with a view to enhancing its overall effectiveness. Board Committees call on external advisers where this is deemed necessary. No significant matters of a corporate governance nature arose during the period covered by the 2018 Annual Report nor subsequently to the date of this statement on which it was considered necessary for the Board or any of its committees to seek specific external advice, although the Board consults with its Nominated Adviser and other professional advisers on routine matters arising in the ordinary course of its business. The main internal advisory functions are those of Senior Independent Director and Company Secretary (shared with the Finance Director function). New directors receive training from the Company Nominated Adviser and broker.
PRINCIPLE 7:	
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	In 2018 with two new directors in place, the Board undertook an effectiveness review utilising a PwC developed assessment tool. Each director fed back to the Chairman and results were assimilated and considered at the following Board meeting. This was the first formal review. In future reviews will take place annually, with third party facilitation of the process every third year. The main action points arising being: • To reduce the number of Board meetings in 2019 with a likely increase in the number of subcommittee meetings • To look for a female member at the next opportunity to add or replace a director • To reconsider succession planning, remuneration and incentives • To review and test emergency action plans This was the first effectiveness review undertaken.

GOVERNANCE

CHAIRMAN'S INTRODUCTION TO GOVERNANCE (CONTINUED)

PRINCIPLE 8:	
Promote a corporate culture that is based on ethical values and behaviours.	Members of the Board are committed to observing and promoting the highest standards of ethical conduct in the performance of their responsibilities on the Board of Europa. The Board believes that a culture that is based on the highest ethical standards provides a competitive advantage and is consistent with fulfilment of the Group's strategy. Board meetings are held usually at the head office and once a year at one of the production sites. Directors are encouraged to spend time with, listen to, and act upon any concerns of, staff members and contractors. • The Board considers that cultural differences between UK and Ireland are immaterial • We do not have a culture policy, nor a specific culture related employee training / induction programme - but resolve to review the need for such a programme annually • Culture and strategy are deeply aligned • The Board ensures that the Company has the means to determine that ethical values and behaviours are recognised and respected
PRINCIPLE 9:	
Maintain governance structures and processes that are fit for purpose and support good decision making by the Board.	**Role of the Chairman – Simon Oddie** • Runs the Board and sets its agenda • Promotes the highest standards of corporate governance • Ensures that the members of the Board receive accurate, timely and clear information, to promote the success of the Group • Ensures effective communication with shareholders • Takes the lead in identifying and meeting the development needs of individual directors, ensure that the performance of individuals and of the Board as a whole and its committees is evaluated at least once a year **Role of the CEO – Hugh Mackay** • Develops group objectives and strategy • Executes of strategy following approval by, the Board • Identifies and executes licence acquisitions and disposals, joint venture opportunities, approving major work programmes • Leads geographic diversification initiatives • Identifies and executes new business opportunities outside the current core activities • Manages the Group's risk profile, including the health and safety performance of the business, in line with the extent and categories of risk identified as acceptable by the Board

PRINCIPLE 9 (CONTINUED):	
Maintain governance structures and processes that are fit for purpose and support good decision making by the Board.	**Role of the SID – Roderick Corrie** • Works closely with the Chairman, acting as a sounding board and providing support • Acts as an intermediary for other directors as and when necessary • Is available to shareholders and other Non-Executives to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication • Meets at least annually with the Non-Executives to review the Chairman's performance and carrying out succession planning for the Chairman's role • Attends sufficient meetings with major shareholders to obtain a balanced understanding of their issues and concerns **Role of the Company Secretary – Phil Greenhalgh** Given Europa's size and desire to manage its resources effectively, the role of Company Secretary is performed by the Finance Director. The Board reviews this structure at least annually. • Distributes documents to the Board • Is available to the Audit, Remuneration and Nominations Committees as required • Keeps minutes of meetings • Updates Companies House records for the Company and subsidiaries Committee terms of reference and Matters Reserved for the Board are available at: *http://www.europaoil.com/corporatedocuments.aspx* The Board intends to continuously review its governance framework in line with the Company's plans for growth.
PRINCIPLE 10:	
Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Audit Committee has met to review the interim and preliminary accounts for the Group, and held meetings with the external auditor without executives present. During the year the Company has focused on advancing its portfolio towards drilling and looked at new asset opportunities. Simon Oddie and Roderick Corrie have resolved to attend more shareholder meetings in the coming year. Past Notice of AGMs are available at *http://www.europaoil.com/reportsandpresentations.aspx*

GOVERNANCE

CHAIRMAN'S INTRODUCTION TO GOVERNANCE (CONTINUED)

BOARD

The Board is responsible for the overall governance of the Company. Its responsibilities include setting the strategic direction of the Company, providing leadership to put the strategy into action and to supervise the management of the business.

The Board comprises four Non-Executive Directors ('NEDs'), the CEO and Finance Director. Biographies of the Directors are on pages 26 to 27. All four NED's are considered by the Board to be independent. The roles and responsibilities of the Chairman, CEO, Senior Independent Director ('SID') and Company Secretary are set out on the website and summarised on page 21.

Simon Oddie is Non-Executive Chairman, Brian O'Cathain, William Ahlefeldt-Laurvig and Roderick Corrie are Non-Executive Directors. Roderick Corrie is the SID.

NOMINATIONS COMMITTEE

The Nominations Committee reviews the size, structure and composition of the Board and gives consideration to succession planning. The committee identifies and nominates candidates to fill Board vacancies for approval of the Board.

The Nominations Committee convened in 2018 in order to find a successor to Colin Bousfield who announced his intention to step down from the Board. In accordance with the terms of reference of the committee, Colin did not participate in the selection process and William Ahlefeldt-Laurvig chaired the committee until Simon Oddie was appointed. Simon Oddie now chairs the Committee. William Ahlefeldt-Laurvig, Brian O'Cathain, Roderick Corrie and Hugh Mackay are members.

TERMS OF REFERENCE

The Terms of Reference of all Board Committees are available on the website.

RECORD OF MEETINGS

Meetings held and attendance records of all directors for the period 1 August 2017 to 31 July 2018 are set out below:

	BOARD MEETINGS		AUDIT COMMITTEE		REMUNERATION COMMITTEE		NOMINATIONS COMMITTEE	
SUMMARY	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
C Bousfield	5	5	1	1	–	–	–	–
SG Oddie	6	6	1	1	–	–	–	–
CW Ahlefeldt-Laurvig	11	11	2	2	–	–	2	2
RJHM Corrie	11	10	2	2	–	–	2	2
BJ O'Cathain	6	6	1	–	–	–	–	–
HGD Mackay	11	11	–	–	–	–	2	2
P Greenhalgh	11	11	–	–	–	–	–	–

SIMON ODDIE
CHAIRMAN

AUDIT COMMITTEE REPORT

The Audit Committee meets twice a year and is chaired by Roderick Corrie. William Ahlefeldt-Laurvig, Brian O'Cathain and Simon Oddie are members.

During the year, the Committee has reviewed:

- Internal financial controls systems and other internal control and risk management systems;
- The statements to be included in the annual report concerning internal control, risk management and the going concern statement;
- The carrying values of the producing and intangible assets;
- The adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, about possible wrongdoing in financial reporting or other matters;
- The procedures for detecting fraud;
- The systems and controls for the prevention of bribery;
- The need for an internal audit function.

The Committee has overseen the relationship with the external auditor, including:

- Approve their remuneration for audit and non-audit services;
- Approve their terms of engagement and the scope of the audit;
- Satisfied itself that there are no relationships between the auditor and the Company which could adversely affect the auditor's independence and objectivity;
- Monitored the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
- Assessed the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process,
- Evaluated the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the committee;
- Met with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;
- Discussed with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.

The committee reviewed the findings of the audit with the external auditor, including:

- A discussion of issues which arose during the audit, including any errors identified during the audit; and the auditor's explanation of how the risks to audit quality were addressed;
- Key accounting and audit judgements;
- The auditor's view of their interactions with senior management;
- A review of any representation letters requested by the external auditor before they were signed by management;
- A review of the management letter and management's response to the auditor's findings and recommendations;
- A review of the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the committee.

RODERICK CORRIE
AUDIT COMMITTEE CHAIR

GOVERNANCE

REMUNERATION COMMITTEE REPORT

The Remuneration Committee reviews the scale and structure of the Executive Directors' remuneration and the terms of their service contracts.

The remuneration and terms and conditions of appointment of the Non-Executive Directors are set by the Board.

Though the Remuneration Committee aims to meet once per year, in 2018 the full Board considered staff and executive remuneration and decided that here was no need for a separate Remuneration Committee meeting as the Board wished to keep all employment conditions unchanged (with the exception of restoring London office salaries to their 2016 levels effective January 2018). Brian O'Cathain was appointed chair of the Committee with effect from September 2018. William Ahlefeldt-Laurvig, Roderick Corrie and Simon Oddie are members.

- There were no changes to remuneration policy, pension rights and any compensation payments
- There were no other changes to pay and employment conditions across the Company or Group, and no salary increases
- There was no performance-related pay scheme in operation

BRIAN O'CATHAIN
REMUNERATION COMMITTEE CHAIR

NOMINATIONS COMMITTEE REPORT

The Nominations Committee reviews the size, structure and composition of the Board and gives consideration to succession planning.

The Committee identifies and nominates candidates to fill Board vacancies for approval of the Board.

The Nominations Committee convened in 2018 in order to find a successor to Colin Bousfield who announced his intention to step down from the Board. In accordance with the terms of reference of the committee, Colin did not participate in the selection process and William Ahlefeldt-Laurvig chaired the Committee until Simon Oddie was appointed. Simon Oddie now chairs the Committee. William Ahlefeldt-Laurvig, Brian O'Cathain Roderick Corrie and Hugh Mackay are members.

Within the terms of the agreed policy and in consultation with the CEO, agreed the total individual remuneration package of the new Chairman and Non-Executive Director including share options.

WILLIAM AHLEFELDT-LAURVIG
NOMINATIONS COMMITTEE CHAIR

BOARD OF DIRECTORS

Members of the Board of Directors are listed overleaf, including their relevant experience, skills and personal qualities.

There is an appropriate breadth of experience covering the key aspects of the business including technical, operational, financial and international. The gender balance needs to be addressed and is under consideration. It is the responsibility of each director to keep skills up to date with the assistance of the Chairman who has a core responsibility in addressing the development needs of the Board as a whole with a view to enhancing its overall effectiveness.

Board Committees call on external advisers where this is deemed necessary. During 2018 this has been for advice on security only.

The main internal advisory functions are that of Senior Independent Director (Roderick Corrie) and Company Secretary (shared with the Finance Director function), whose responsibilities are described overleaf.

GOVERNANCE

BOARD OF DIRECTORS (CONTINUED)

HUGH MACKAY
Chief Executive Officer

APPOINTED
October 2011

SKILLS AND EXPERIENCE
- Hugh, a geologist who joined Europa in 2011, 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 ten years at Enterprise Oil in leadership roles, culminating as head of the SE Asia division. Hugh was part of the leadership team that sold the Peak Group to AGR and founded Avannaa Resources, a leading mineral exploration company in Greenland which later sold to Cairn Energy.
- Hugh has a BSc in Geology from the University of Edinburgh and a Sloan MSc in Management from London Business School.
- Technical skills are maintained through membership of Geological Society, Petroleum Exploration Society of Great Britain and American Association of Petroleum Geologists, Petroleum Infrastructure Project and Irish Centre for Applied Geosciences. Management development is maintained through participation as an alumnus of London Business School.

COMMITTEES
N

SIMON ODDIE
Non-Executive Chairman

APPOINTED
January 2018

SKILLS AND EXPERIENCE
- Simon has over 40 years of relevant experience as a petroleum engineer, technical consultant, manager and investment adviser in upstream oil and gas. He has worked with Schlumberger, ERC Energy Resource Consultants, Enterprise Oil and Gemini Oil and Gas Advisors LLP.
- He was CEO of Enterprise Italy during its first operated exploration drilling both on and offshore. Simon recently was the architect of the Gemini Oil and Gas royalty funds where he established a solid track record in fundraising, investor relations, and execution of oil and gas deals.
- He has completed the Advanced Management Program at Harvard Business School, holds an MSc. in Petroleum Engineering from Imperial College and a BSc (First Class) in Electronics from Manchester University. Simon keeps his skills up-to-date through consultancy and participation in key professional societies and industry groups.

COMMITTEES
A R N

WILLIAM AHLEFELDT-LAURVIG
Non-Executive Director

APPOINTED
October 2004

SKILLS AND EXPERIENCE
- William helped take Europa onto AIM and remains its largest shareholder. He started his career at Maersk as a petroleum engineer in 1982, followed, in 1987, by IPEC, a London based consultancy, 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. He was also, in 1991, a founder and non-exec director of IFX Infoforex Ltd which was successfully sold in 2000.
- William has continued to work as an independent consultant petroleum engineer, latest in 2013 – 2016 for a client in Norway. Outside of his oil and gas interests, William is currently involved in a new IT start-up which will launch early 2019.

COMMITTEES
A R N

COMMITTEES MEMBER KEY

A Audit Committee
R Remuneration Committee
N Nomination Committee
O Chair of committee
● Member of committee

BRIAN O'CATHAIN
Non-Executive Director

APPOINTED
January 2018

SKILLS AND EXPERIENCE

- Brian has worked as a Geologist and Petroleum Engineer in the oil and gas sector since 1984. He began his career with Shell International, and worked at Enterprise Oil and Tullow Oil in senior roles. He served as CEO of Afren plc to 2007, and as CEO of Petroceltic International plc, until 2016. He is a non-executive director of Eland Oil and Gas, an AIM listed company producing over 20,000 bopd in Nigeria.
- His skills include market understanding, fund-raising, and the technical, legal and financial aspects of running a publicly listed Oil and Gas company. He led and negotiated the agreed nil-premium merger of Petroceltic and Melrose Resources in 2012.
- He holds a BSc (First Class) in Geology from the University of Bristol. Brian keeps his knowledge and awareness current by participation in Industry conferences, IOD workshops, and by networking with other directors and executives in the Oil and Gas industry.

COMMITTEES
A R N

RODERICK CORRIE
Non-Executive Director

APPOINTED
January 2008

SKILLS AND EXPERIENCE

- Roderick is a graduate of Cambridge University, an Associate of the Chartered Institute of Banking and a past member of the Securities Institute.
- He has been strategic adviser and financier with a variety of companies and holds or has held executive or non-executive roles in corporate finance, strategic advice, TV advertising, financial services, health, property, internet services, mineral exploration & development, investment and manufacturing companies. He has been or is a director of three listed companies, the other two as CFO as well.
- As CFO Roderick was extensively vetted by both the European Bank of Reconstruction and Development and the International Finance Corporation – for probity and competence. As the current CFO and director of another listed company, Roderick is required to keep his skills up to date.

COMMITTEES
A R N

PHIL GREENHALGH
Finance Director

APPOINTED
January 2008

SKILLS AND EXPERIENCE

- 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 before becoming Finance Director of Pharmacia Ltd through the acquisition by Pfizer. He moved to Whatman plc, a FTSE 250 company, where he led the financing of a €50 million company acquisition, oversaw a substantial share price recovery and was a key player in the Whatman turnaround.
- Phil joined Europa in 2008 and has used his engineering background in his role as adviser to the Board on HSE matters. He has been extensively involved in farm-in / farm-out negotiations, asset disposals and improving the Group's financial reporting and forecasting and regularly attends meetings of the UK Onshore Operating Group ('UKOOG').

GOVERNANCE

DIRECTORS' REPORT

BUSINESS REVIEW

A detailed review of the Group's business is set out in the Chairman's statement on page 2 and Strategic report on page 6.

FUTURE DEVELOPMENTS

Details of expected future developments for the Group are set out in the Chairman's statement on page 2 and Strategic report on page 6.

DIVIDENDS

The Directors do not recommend the payment of a dividend (2017: £nil).

DIRECTORS AND THEIR INTERESTS

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

	Number of Ordinary Shares		Number of ordinary share options	
	2018	2017	**2018**	2017
CW Ahlefeldt-Laurvig[1]	**33,752,442**	33,752,442	**—**	—
C Bousfield	**n/a**	273,958	**—**	500,000
RJHM Corrie[2]	**1,251,631**	1,251,631	**450,000**	950,000
P Greenhalgh	**605,973**	605,973	**4,525,000**	5,775,000
HGD Mackay	**4,700,000**	4,700,000	**11,700,000**	11,700,000
BJ O'Cathain	**—**	—	**1,200,000**	—
SG Oddie	**250,000**	—	**1,200,000**	—

1. CW Ahlefeldt-Laurvig holds his shares with HSBC Global Custody Nominee (UK) Limited.
2. RJHM Corrie has interest in 1,062,951 shares held directly, plus 94,720 shares held by Corrie Limited, of which Mr. Corrie is a Director and 93,960 shares held via a 50% interest in RT Property Investments Limited.

Details of the vesting conditions of the Directors' stock options are included in note 19.

DIRECTORS' INTERESTS IN TRANSACTIONS

No Director had, during the year or at the end of the year, other than disclosed above, 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.

FINANCIAL INSTRUMENTS

See note 1 and note 20 to the financial statements.

RELATED PARTY TRANSACTIONS

See note 23 to the financial statements.

POST REPORTING DATE EVENTS

See note 24 to the financial statements.

CAPITAL STRUCTURE AND GOING CONCERN

Further details on the Group's capital structure are included in note 18. Comments on going concern are included in note 1.

ACCOUNTING POLICIES

A full list of accounting policies is set out in note 1 to the financial statements. The Group has not made any material changes to its accounting policies in the year to 31 July 2018.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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 auditor was unaware; and
- That Director had taken all necessary steps to make themselves aware of any relevant audit information, and to establish that the Company's auditors was aware of that information

AUDITOR

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

On behalf of the Board

PHIL GREENHALGH
FINANCE DIRECTOR
16 October 2018

GOVERNANCE

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 elected to prepare the Group and 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; and
- 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.

REPORT OF THE INDEPENDENT AUDITOR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROPA OIL & GAS (HOLDINGS) PLC

Opinion

We have audited the financial statements of Europa Oil and Gas (Holdings) Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 July 2018 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 cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements 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.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 July 2018 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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

GOVERNANCE

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

MATTER	OUR RESPONSE
Carrying value of producing assets As detailed in note 1 and 11, the assessment of any impairment to the carrying value of the three producing fields requires significant estimation by management. The key estimates and judgements include oil price, reserves, decline rate, and discount rate. There was an impairment of £142,000 recognised in the year relating to the producing assets. Also impairments have been previously recognised against the carrying values of the producing assets. Judgement is required as to whether there should be any further impairment recognised or whether an assessment that there has been an increase in value should give rise to any impairment reversals.	We reviewed management's discounted cash flow forecasts for each of the three producing fields and critically challenged the appropriateness of the key estimates and assumptions used by management in the discounted cash flow models with reference to operational results, independent competent persons report and other external evidence where available. We verified that the licences remain valid. We agreed the reserves used in the models to the most recent independent competent persons reports and assessed the objectivity, competence and independence of these experts. We challenged management's sensitivity assessments and performed our own sensitivity calculations in respect of oil prices, decline rates and discount rate, along with considering the appropriateness of the related disclosures given in notes 1 and 11.
Carrying amount of intangible assets The non-producing exploration assets of the Group are classified as intangible assets within non-current assets in the statement of financial position. There was an impairment of £1,289,000 recognised in the year relating to these exploration assets of which £1,145,000 related to the post balance sheet event disclosed in note 24. As detailed in notes 1 and 10, given the inherent uncertainties around the recoverability of exploration and evaluation assets, and the judgements involved, we consider the carrying amount of intangible assets to be a significant risk.	We tested a sample of additions to exploration and evaluation assets to confirm they meet the criteria for capitalisation in accordance with accounting standards. We reviewed and challenged management's impairment assessment which was carried out in accordance with IFRS 6 in order to determine whether there were any indicators of impairment. We confirmed there is an ongoing plan to develop the licence areas (other than Holmwood) and verified that the licences remain valid. We challenged management's assessment of the adjusting post balance sheet event in order to determine whether conditions for impairment existed prior to the reporting date. We assessed the appropriateness of the disclosures included in the financial statements given in notes 1 and 10.
Going Concern When preparing the financial statements, Management and the Directors are required to make an assessment of the Group's ability to continue as a going concern for a period of at least 12 months from the date of signing the financial statements. Details of management's consideration of the appropriateness of the going concern basis are set out in note 1. This represented a significant risk for our audit due to the inherent judgements and estimates required.	We critically assessed management's financial forecast models and the key underlying assumptions, including oil prices, reserves, production and expenditure. In doing so, we considered factors such as actual performance against budget and external market data. We reviewed management's sensitivity analysis performed in respect of key assumptions underpinning the forecasts. We performed our own sensitivities in respect of oil prices, operating and capital expenditure. We assessed the appropriateness of the disclosures included in the financial statements given in note 1.

OUR APPLICATION OF MATERIALITY

Group materiality	Parent company materiality	Basis for materiality
£133,000 (2017: £167,000)	£21,000 (2017: £61,000)	We consider total assets to be the most appropriate basis for materiality given the Group is focused on exploration and development.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at £100,000 (2017: £125,250) for the group and at £15,750 (2017: £45,750) for the parent company which represents 75% (2017: 75%) of the above materiality levels.

Whilst materiality for the financial statements as a whole was £133,000, each significant component of the group was audited to a lower level of materiality ranging from £9,000 to £100,000. We agreed with the Audit Committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £6,650 (2017: £8,000). We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our group audit scope focused on the Group's principal four operating subsidiaries, all being located in the UK, which were all subject to full scope audits. Together with the parent company which was also subject to a full scope audit, these represent the significant components of the Group. All of the components were audited by BDO UK LLP and 100% of the Group's revenue and assets were subject to audit.
The remaining three components of the Group were considered non-significant as these components were non-trading and had no transactions during the year. These components were principally subject to analytical review procedures to confirm there are no significant risks of material misstatements within these components.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

GOVERNANCE

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 30, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: *www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

USE OF OUR REPORT

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.

J DRAYCOTT (SENIOR STATUTORY AUDITOR)
For and on behalf of BDO LLP, Statutory Auditor
London
16 October 2018

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

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 July

	Note	2018 £000	2017 £000
Revenue	2	**1,634**	1,569
Cost of sales	2	***(1,365)***	*(1,459)*
Impairment of producing fields	11	***(142)***	—
Exploration write-off	10	***(1,289)***	—
Total cost of sales		**(2,796)**	(1,459)
Gross (loss)/profit		**(1,162)**	110
Administrative expenses		**(967)**	(553)
Finance income	6	**10**	2
Finance expense	7	**(171)**	(234)
Loss before taxation	3	**(2,290)**	(675)
Taxation (charge)/credit	8	**(341)**	184
Total comprehensive loss for the year attributable to the equity shareholders of the parent		**(2,631)**	(491)

	Note	Pence per share	Pence per share
Earnings per share ('EPS') attributable to the equity shareholders of the parent			
Basic and diluted EPS	9	**(0.87)p**	(0.19)p

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 July

	Note	2018 £000	2017 £000
Assets			
Non-current assets			
Intangible assets	10	**5,959**	5,276
Property, plant and equipment	11	**668**	882
Deferred tax asset	16	**—**	341
Total non-current assets		**6,627**	6,499
Current assets			
Inventories	13	**20**	14
Trade and other receivables	14	**471**	886
Cash and cash equivalents		**1,771**	3,591
		2,262	4,491
Total assets		**8,889**	10,990
Liabilities			
Current liabilities			
Trade and other payables	15	**(1,299)**	(945)
Total current liabilities		**(1,299)**	(945)
Non-current liabilities			
Long-term provisions	17	**(2,735)**	(2,570)
Total non-current liabilities		**(2,735)**	(2,570)
Total liabilities		**(4,034)**	(3,515)
Net assets		**4,855**	7,475
Capital and reserves attributable to equity holders of the parent			
Share capital	18	**3,014**	3,014
Share premium	18	**18,481**	18,481
Merger reserve	18	**2,868**	2,868
Retained deficit		**(19,508)**	(16,888)
Total equity		**4,855**	7,475

These financial statements were approved by the Board of Directors and authorised for issue on 16 October 2018 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

	Attributable to the equity holders of the parent				
	Share capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total equity £000
Balance at 1 August 2016	2,449	15,901	2,868	(16,536)	4,682
Comprehensive loss for the year					
Total comprehensive loss for the year	—	—	—	(491)	(491)
Total comprehensive loss for the year	**—**	**—**	**—**	**(491)**	**(491)**
Contributions by and distributions to owners					
Issue of share capital (note 18)	565	2,603	—	—	3,168
Issue of share options (note 19)	—	(23)	—	23	—
Share based payment (note 19)	—	—	—	116	116
Total contributions by and distributions to owners	**565**	**2,580**	**—**	**139**	**3,284**
Balance at 31 July 2017	**3,014**	**18,481**	**2,868**	**(16,888)**	**7,475**
Balance at 1 August 2017	3,014	18,481	2,868	(16,888)	7,475
Comprehensive loss for the year					
Loss for the year attributable to the equity shareholders of the parent	—	—	—	(2,631)	(2,631)
Total comprehensive loss for the year	**—**	**—**	**—**	**(2,631)**	**(2,631)**
Contributions by and distributions to owners					
Share based payment (note 19)	—	—	—	11	11
Total contributions by and distributions to owners	**—**	**—**	**—**	**11**	**11**
Balance at 31 July 2018	**3,014**	**18,481**	**2,868**	**(19,508)**	**4,855**

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 July

	Note	2018 £000	2017 £000
Assets			
Non-current assets			
Intangible assets	10	**198**	577
Property, plant and equipment	11	**1**	3
Investments	12	**2,341**	2,340
Amounts due from Group companies	23	**2,139**	714
Total non-current assets		**4,679**	3,634
Current assets			
Other receivables	14	**83**	156
Cash and cash equivalents		**806**	2,863
		889	3,019
Total assets		**5,568**	6,653
Liabilities			
Current liabilities			
Trade and other payables	15	**(688)**	(199)
Total current liabilities		**(688)**	(199)
Total non-current liabilities		**—**	—
Total liabilities		**(688)**	(199)
Net assets		**4,880**	6,454
Capital and reserves attributable to equity holders of the parent			
Share capital	18	**3,014**	3,014
Share premium	18	**18,481**	18,481
Merger reserve	18	**2,868**	2,868
Retained deficit		**(19,483)**	(17,909)
Total equity		**4,880**	6,454

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 £1,585,000 (2017: loss of £825,000).

These financial statements were approved by the Board of Directors and authorised for issue on 16 October 2018 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

	Share capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total equity £000
Balance at 1 August 2016	2,449	15,901	2,868	(17,223)	3,995
Comprehensive loss for the year					
Total comprehensive loss for the year	—	—	—	(825)	(825)
Total comprehensive loss for the year	**—**	**—**	**—**	**(825)**	**(825)**
Contributions by and distributions to owners					
Issue of share capital (note 18)	565	2,603	—	—	3,168
Issue of share options (note 19)	—	(23)	—	23	—
Share based payment (note 19)	—	—	—	116	116
Total contributions by and distributions to owners	**565**	**2,580**	**—**	**139**	**3,284**
Balance at 31 July 2017	**3,014**	**18,481**	**2,868**	**(17,909)**	**6,454**
Balance at 1 August 2017	3,014	18,481	2,868	(17,909)	6,454
Comprehensive loss for the year					
Loss for the year attributable to the equity shareholders of the parent	—	—	—	(1,585)	(1,585)
Total comprehensive loss for the year	**—**	**—**	**—**	**(1,585)**	**(1,585)**
Contributions by and distributions to owners					
Share based payment (note 19)	—	—	—	11	11
Total contributions by and distributions to owners	**—**	**—**	**—**	**11**	**11**
Balance at 31 July 2018	**3,014**	**18,481**	**2,868**	**(19,483)**	**4,880**

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July

	Note	2018 £000	2017 £000
Cash flows used in operating activities			
Loss after tax from continuing operations		**(2,631)**	(491)
Adjustments for:			
Share based payments	19	**11**	116
Depreciation	11	**72**	184
Impairment of producing field	11	**142**	—
Exploration write-off	10	**1,289**	—
Finance income	6	**(10)**	(2)
Finance expense	7	**171**	234
Taxation charge/(credit)	8	**341**	(184)
Decrease/(increase) in trade and other receivables		**69**	(108)
(Increase)/decrease in inventories		**(6)**	9
Increase/(decrease) in trade and other payables		**73**	(13)
Net cash used in operations		**(479)**	(255)
Income taxes paid		**—**	(144)
Net cash used in operating activities		**(479)**	(399)
Cash flows used in investing activities			
Purchase of property, plant and equipment		**—**	(6)
Purchase of intangible assets		**(1,336)**	(1,491)
Sale of part interest in licence		**—**	600
Interest received		**10**	2
Net cash used in investing activities		**(1,326)**	(895)
Cash flows (used in)/from financing activities			
Proceeds from issue of share capital (net of issue costs)	18	**—**	3,145
(Decrease)/increase in payables relating to share capital issue costs		**(16)**	16
Option based equity movement on share issue		**—**	23
Finance costs		**(3)**	(3)
Net cash (used in)/from financing activities		**(19)**	3,181
Net (decrease)/increase in cash and cash equivalents		**(1,824)**	1,887
Exchange gain/(loss) on cash and cash equivalents		**4**	(14)
Cash and cash equivalents at beginning of year		**3,591**	1,718
Cash and cash equivalents at end of year		**1,771**	3,591

The accompanying notes form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 July

	Note	2018 £000	2017 £000
Cash flows used in operating activities			
Loss after tax from continuing operations		**(1,585)**	(825)
Adjustments for:			
Share based payments		**11**	111
Depreciation	11	**2**	2
Exploration write off	10	**97**	—
Movement in intercompany loan provision		**1,791**	1,024
Finance income		**(532)**	(460)
Finance expense		**4**	—
Decrease/(increase) in trade and other receivables		**73**	(36)
Increase/(decrease) in trade and other payables		**59**	(74)
Net cash used in operating activities		**(80)**	(258)
Cash flows used in investing activities			
Purchase of property, plant and equipment		**—**	(1)
Purchase of intangible assets		**(372)**	(556)
Movement on loans to Group companies		**(1,593)**	(756)
Interest received		**4**	—
Net cash used in investing activities		**(1,961)**	(1,313)
Cash flows (used in)/from financing activities			
Proceeds from issue of share capital (net of issue costs)	18	**—**	3,145
(Decrease)/increase in payables relating to issue of share capital		**(16)**	16
Option based equity movement on share issue		**—**	23
Net cash (used in)/from financing activities		**(16)**	3,184
Net (decrease)/increase in cash and cash equivalents		**(2,057)**	1,613
Cash and cash equivalents at beginning of year		**2,863**	1,250
Cash and cash equivalents at end of year		**806**	2,863

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 and individual company 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.

Exploration and evaluation assets are measured at historical cost and tested at least twice annually for impairment. Internally generated intangibles are measured at historic cost.

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 2018.

Going concern

Given the continuing cash inflow from the Group's producing assets, the cash held by the Group at the year-end, less administrative expenses and planned capital expenditure, the Directors have concluded, 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. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Future changes in accounting standards

The IFRS financial statements have been drawn up on the basis of accounting standards, interpretations and amendments effective at the beginning of the accounting period.

The following are amendments to existing standards and new standards which will apply to the Group in future accounting periods.

IFRS 15 is intended to introduce a single framework for revenue recognition and clarify principles of revenue recognition. This standard modifies the determination of when to recognise revenue and how much revenue to recognise. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard is not expected to have any impact on the Group's revenue recognition.

IFRS 16 introduces a single lease accounting model. This standard requires lessees to account for all leases under a single on-balance sheet model. Under the new standard, a lessee is required to recognise all lease assets and liabilities on the balance sheet; recognise amortisation of leased assets and interest on lease liabilities over the lease term; and separately present the principal amount of cash paid and interest in the cash flow statement. Under the new standard three property leases and four contract hire vehicles currently treated as operating leases will be recognised in the statement of financial position.

IFRS 9 will replace existing accounting Standards in relation to Financial Instruments. It is applicable to financial assets and liabilities and will introduce changes to existing accounting concerning classification, measurement and impairment (introducing an "expected credit loss" method, different to the current "incurred loss" method applied under IAS 39). As the Group has minimal trade debtors the impact on the Group's consolidated results is expected to be immaterial. The Company is quantifying the effect that will have the new expected credit loss model for impairment of intercompany loans made by the company to its subsidiaries on the company financial statements.

The Group will adopt the above Standards at the time stipulated by that Standard.

		Effective date (periods beginning on or after)
IFRS 9	Financial instruments	1 Jan 2018
IFRS 15	Revenue from Contracts with Customers	1 Jan 2018
IFRS 16	Leases	1 Jan 2019

1 ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. 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.

Joint arrangements

Joint arrangements are those arrangements 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 IFRS 11. The Group's exploration, development and production activities are presently conducted jointly with other companies in this way.

For the licences where the Group does not hold 100% equity (refer to the Licence Interests table on page 7) a joint arrangement exists. The equity and voting interest of the Group is disclosed in the table, activities are typical for activities in the oil and gas sector and are strategic to the Group's activities. The principal place of business for all the joint arrangements is the UK.

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. The unit of account for exploration and evaluation assets is the individual licence.

Pre-production assets

Pre-production assets are categorised 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 on a licence by licence 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 technical feasibility and commercial viability. On commencement of production these costs are tested for impairment prior to transfer to production assets.

Production assets

Production assets are categorised 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 10 and 11. As a result, some assets are tested individually for impairment and some are tested at cash generating unit level.

Impairment tests are performed when indicators as described in IFRS6 are identified. In addition, indicators such as a lack of funding or farm-out options for a licence which is approaching termination, or the implied value of a farm-out transaction are considered as indicators of impairment.

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. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

Depreciation

All expenditure within tangible non-current assets 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 licence. 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.

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.

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 11) 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.

Acquisitions of Exploration Licences

Acquisitions of Exploration Licences through acquisition of non-operational corporate structures that do not represent a business, and therefore do not meet the definition of a business combination, are accounted for as the acquisition of an asset. Related future consideration that is contingent is not recognised as an asset or liability until the contingent event has occurred.

Taxation

Current tax is the tax payable based on taxable profit / (loss) 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.

Europa Oil & 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 and Ireland 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. Additions include the net value of share options issued to employees of subsidiary companies less any lapsed, unvested options.

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.

The Group and Company classify all financial liabilities into one category. The accounting policy for each category is as follows:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

Treatment of finance costs

All finance costs are expensed through the income statement. The Group does not incur any finance costs that qualify for capitalisation.

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. Cost is determined by reference to the actual cost of production in the period.

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 10) – carrying values are justified with reference to indicators of impairment as set out in IFRS 6. Based on judgements at 31 July 2018, the investment in securing planning permission to drill the Holmwood well from the Bury Hill Wood site was written-off and no impairment was recognised in respect of the Wressle project. (Please see page 12 – "PEDL180 (Wressle); PEDL182 (Broughton North)" for the conclusion reached as to why no impairment was recognised)
- Carrying value of property, plant and equipment (note 11) – carrying values are justified by reference to future estimates of cash flows, discounted at appropriate rates
- Deferred taxation (note 16) – assumptions regarding the future profitability of the Group and whether the deferred tax assets will be recovered
- Decommissioning provision (note 17) – inflation and discount rate estimates (2% and 10% respectively) are used in calculating the provision, along with third party estimates of remediation costs
- Share-based payments (note 19) – various estimates, referenced to external sources where possible, are used in determining the fair value of options

2 OPERATING SEGMENT ANALYSIS

In the opinion of the Directors the Group has three reportable segments as reported to the Chief Executive Officer, being the UK, Ireland and new ventures.

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 and Strategic report of this Annual Report.

Income statement for the year ended 31 July 2018

	UK £000	Ireland £000	New Ventures £000	Total £000
Revenue	1,634	—	—	1,634
Cost of sales	*(1,365)*	—	—	*(1,365)*
Impairment of producing fields	*(142)*			*(142)*
Exploration write-off	*(1,192)*	*(97)*	—	*(1,289)*
Cost of sales	(2,699)	(97)	—	(2,796)
Gross profit	**(1,065)**	**(97)**	**—**	**(1,162)**
Administrative expenses	(738)	—	(229)	(967)
Finance income	10	—	—	10
Finance costs	(171)	—	—	(171)
Loss before tax	**(1,964)**	**(97)**	**(229)**	**(2,290)**
Taxation	(341)	—	—	(341)
Loss for the year	**(2,305)**	**(97)**	**(229)**	**(2,631)**

Segmental assets and liabilities as at 31 July 2018

	UK £000	Ireland £000	New Ventures £000	Total £000
Non-current assets	3,632	2,995	—	6,627
Current assets	2,262	—	—	2,262
Total assets	**5,894**	**2,995**	**—**	**8,889**
Non-current liabilities	(2,735)	—	—	(2,735)
Current liabilities	(520)	(779)	—	(1,299)
Total liabilities	**(3,255)**	**(779)**	**—**	**(4,034)**
Other segment items				
Capital expenditure	762	574	—	1,336
Depreciation	72	—	—	72
Share based payments	11	—	—	11

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 OPERATING SEGMENT ANALYSIS (CONTINUED)

Income statement for the year ended 31 July 2017

	UK £000	Ireland £000	Total £000
Revenue	1,569	—	1,569
Cost of sales	*(1,459)*	—	*(1,459)*
Exploration write-off	—	—	—
Cost of sales	(1,459)	—	(1,459)
Gross profit	**110**	**—**	**110**
Administrative expenses	(553)	—	(553)
Profit on disposal of fixed asset	—	—	—
Finance income	2	—	2
Finance costs	(237)	3	(234)
Loss before tax	**(678)**	**3**	**(675)**
Taxation	184	—	184
Loss for the year	**(494)**	**3**	**(491)**

Segmental assets and liabilities as at 31 July 2017

	UK £000	Ireland £000	Total £000
Non-current assets	4,855	1,644	6,499
Current assets	4,491	—	4,491
Total assets	**9,346**	**1,644**	**10,990**
Non-current liabilities	(2,570)	—	(2,570)
Current liabilities	(795)	(150)	(945)
Total liabilities	**(3,365)**	**(150)**	**(3,515)**
Other segment items			
Capital expenditure	587	904	1,491
Depreciation	184	—	184
Share based payments	116	—	116

100% of the total revenue (2017: 100%) relates to UK based customers. Of this figure, one single customer (2017: one) commands more than 99% of the total.

3 LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

	Note	**2018 £000**	2017 £000
Depreciation on property, plant & equipment	11	**72**	184
Staff costs including Directors	5	**907**	903
Impairment of producing fields	11	**142**	—
Exploration write-off	10	**1,289**	—
Fees payable to the auditor for the audit		**51**	46
Fees payable to the auditor for taxation services		**—**	1
Operating leases – land and buildings	22	**40**	40
Amount of inventory recognised as an expense		**—**	9
Foreign exchange loss		**3**	12

4 DIRECTORS' EMOLUMENTS

Directors' salaries and fees – Company and Group

	2018 £000	2017 £000
CW Ahlefeldt-Laurvig	**23**	20
C Bousfield (resigned 25 January 2018)	**17**	32
RJHM Corrie	**23**	20
P Greenhalgh	**141**	123
HGD Mackay	**163**	143
BJ O'Cathain (appointed 25 January 2018)	**13**	—
SG Oddie (appointed 25 January 2018)	**20**	—
	400	338

Directors' pensions

P Greenhalgh	**21**	18
HGD Mackay	**24**	21
	45	39

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

Directors' share-based payments

	2018 £000	2017 £000
C Bousfield (resigned 25 January 2018)	**—**	3
RJHM Corrie	**—**	4
P Greenhalgh	**—**	32
HGD Mackay	**—**	55
BJ O'Cathain (appointed 25 January 2018)	**5.5**	—
SG Oddie (appointed 25 January 2018)	**5.5**	—
	11	94

The above represents the accounting charge in respect of share options. No share options were exercised during the period (2017: none).

Directors' total emoluments

	2018 £000	2017 £000
Salaries and fees	**400**	338
Social security costs	**49**	42
Pensions	**45**	39
Share based payments	**11**	94
	505	513

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 EMPLOYEE INFORMATION

Average monthly number of employees including Directors – Group

	2018 Number	2017 Number
Management and technical	**9**	8
Field exploration and production	**4**	4
	13	12

Staff costs – Group

	2018 £000	2017 £000
Wages and salaries (including Director's emoluments)	**714**	631
Social security	**88**	77
Pensions	**94**	79
Share based payment (note 19)	**11**	116
	907	903

Average monthly number of employees including Directors – Company

	2018 Number	2017 Number
Management and technical	**9**	8
	9	8

Staff costs – Company

	2018 £000	2017 £000
Wages and salaries (including Directors' emoluments)	**546**	467
Social security	**66**	55
Pensions	**71**	56
Share based payment (note 19)	**11**	111
	694	689

6 FINANCE INCOME

	2018 £000	2017 £000
Bank interest received	**10**	2
	10	2

7 FINANCE EXPENSE

	2018 £000	2017 £000
Unwinding of discount on decommissioning provision (note 17)	**165**	223
Other finance expense	**6**	11
	171	234

8 TAXATION

	2018 £000	2017 £000
Movement in deferred tax asset (note 16)	**668**	(239)
Movement in deferred tax liability (note 16)	**(327)**	55
Tax charge/(credit)	**341**	(184)

UK corporation tax is calculated at 30% (2017: 30%) of the estimated assessable profit for the year being the applicable rate for a ring-fence trade excluding the Supplementary Charge of 10%.

	2018 £000	2017 £000
Loss before tax	**(2,290)**	(675)

Tax reconciliation		
Loss multiplied by the standard rate of corporation tax in the UK including Supplementary Charge of 40% (2017: 40%)	**(916)**	(270)
Expenses not deductible for tax purposes	**111**	35
Partial write off prior year deferred tax asset	**668**	—
Other reconciling items	**478**	51
Total tax charge/(credit)	**341**	(184)

9 EARNINGS PER SHARE

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

As the Group made a loss from continuing operations in both the current and prior years, any potentially dilutive instruments are considered to be anti-dilutive. Therefore the diluted EPS is equal to the basic EPS. As at 31 July 2018 there were 23,414,440 (2017: 23,264,440) potentially dilutive instruments in issue.

The calculation of the basic and diluted earnings per share is based on the following:

	2018 £000	2017 £000
Loss for the year attributable to the equity shareholders of the parent	**(3,846)**	(491)

Weighted average number of shares		
For the purposes of basic and diluted EPS	**301,388,379**	252,472,992

10 INTANGIBLE ASSETS

Intangible assets – Group

	2018 £000	2017 £000
At 1 August	**5,276**	4,453
Additions	**1,972**	1,423
Sale of 3.34% interest in PEDL180 and PEDL182	**—**	(600)
Exploration write-off	**(1,289)**	—
At 31 July	**5,959**	5,276

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 INTANGIBLE ASSETS (CONTINUED)

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

	2018 £000	2017 £000
Ireland FEL 2/13 (Doyle A, B, C, Kilroy, Keane & Kiely)	**799**	340
Ireland FEL 3/13 (Beckett, Wilde, Shaw)	**1,093**	725
Ireland FEL 1/17	**453**	224
Ireland LO 16/19	**71**	61
Ireland LO 16/20	**454**	206
Ireland LO 16/21	**—**	38
Ireland LO 16/22	**125**	48
UK PEDL143 (Holmwood)	**10**	901
UK PEDL180 (Wressle)	**2,745**	2,527
UK PEDL181	**95**	60
UK PEDL182 (Broughton North)	**26**	24
UK PEDL299 (Hardstoft)	**12**	12
UK PEDL343 (Cloughton)	**76**	69
UK Block 41/24	**—**	41
Total	**5,959**	5,276

Exploration write-off		
UK PEDL143 (Holmwood)	**1,145**	—
Ireland LO 16/21	**97**	—
UK Block 41/24	**47**	—
Total	**1,289**	—

If the Group is not able to or elects not to continue in any other licence, then the impact on the financial statements will be the impairment of some or all of the intangible assets disclosed above. Further details of commitments are included in note 21.

Intangible assets – Company

	2018 £000	2017 £000
At 1 August	**577**	43
Additions	**380**	534
Transfer to Group Companies	**(662)**	—
Exploration write-off	**(97)**	—
At 31 July	**198**	577

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

	2018 £000	2017 £000
Ireland FEL 1/17 (LO 16/2)	**—**	224
Ireland LO 16/19	**71**	61
Ireland LO 16/20	**2**	206
Ireland LO 16/21	**—**	38
Ireland LO 16/22	**125**	48
Total	**198**	577

Exploration write-off		
Ireland LO 16/21	**97**	—

In 2018 the interest and accumulated expenditure in respect of FEL 1/17 was transferred to the subsidiary company Europa Oil & Gas (Ireland East) Limited and LO16/20 was transferred to Europa Oil & Gas (Inishkea) Limited.

LO 16/21 was relinquished due to a lack of commercial prospects and the £97,000 spent to date was written-off.

11 PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment – Group

	Furniture & computers £000	Producing fields £000	Total £000
Cost			
At 1 August 2016	51	10,785	10,836
Additions	1	5	6
At 31 July 2017	52	10,790	10,842
Additions	—	—	—
At 31 July 2018	**52**	**10,790**	**10,842**
Depreciation, depletion and impairment			
At 1 August 2016	47	9,729	9,776
Charge for year	2	182	184
At 31 July 2017	49	9,911	9,960
Charge for year	2	70	72
Impairment in year	—	142	142
At 31 July 2018	**51**	**10,123**	**10,174**
Net book value			
At 31 July 2016	4	1,056	1,060
At 31 July 2017	3	879	882
At 31 July 2018	**1**	**667**	**668**

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 W4 well, representing the Group's three 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 discounted cash flow model with production decline rates of 7.5-11%, Brent crude prices rising from US$72 per barrel in 2019 to US$77 per barrel in 2022 and a pre-tax discount rate of 19%. The pre-tax discount rate is derived from a post-tax rate of 10% and is high because of the applicable rates of tax in the UK. Cash flows were projected over the expected life of the fields which is expected to be longer than five years. There was an impairment in the year of £142,000 relating to the West Firsby site (2017: no impairment).

Sensitivity to key assumption changes

Variations to the key assumptions used in the value-in-use calculation would cause impairment of the producing fields as follows:

	Further impairment of producing fields £000
Production decline rate (current assumption 7.5-11%)	
15%	309
20%	605
Brent crude price per barrel (current assumption US$72/bbl in 2019 rising to US$77/bbl in 2022)	
10% reduction in the assumed forward price	300
15% reduction in the assumed forward price	474
Pre-tax discount rate (current assumption 19%)	
30%	—
40%	164

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 PROPERTY, PLANT & EQUIPMENT (CONTINUED)

Property, plant & equipment – Company

	Furniture & computers £000	Total £000
Cost		
At 1 August 2016	51	51
Additions	1	1
At 31 July 2017	52	52
Additions	—	—
At 31 July 2018	**52**	**52**
Depreciation		
At 1 August 2016	47	47
Charge for the year	2	2
At 31 July 2017	49	49
Charge for year	2	2
At 31 July 2018	**51**	**51**
Net book value		
At 31 July 2016	4	4
At 31 July 2017	3	3
At 31 July 2018	**1**	**1**

12 INVESTMENTS – COMPANY

Investment in subsidiaries

	2018 £000	2017 £000
At 1 August	**2,340**	2,335
Current year additions	**1**	5
At 31 July	**2,341**	2,340

The Company's investments at the reporting date include 100% of the share capital in the following unlisted companies:

- Europa Oil & Gas Limited, which undertakes oil and gas exploration, development and production in the UK
- Europa Oil & Gas (West Firsby) Limited, which is non-trading
- Europa Oil & Gas (Ireland West) Limited, which holds the interest in the FEL 2/13 licence
- Europa Oil & Gas (Ireland East) Limited, which holds the interest in the FEL 3/13 and FEL 1/17 licences
- Europa Oil & Gas (Inishkea) Limited, which holds the interest in the LO16/20 licence
- Europa Oil & Gas (New Ventures) Limited

All six companies are registered in England and Wales, all having their registered office at 6 Porter Street, London W1U 6DD.

The results of the six companies have been included in the consolidated accounts.

Europa Oil & Gas Limited owns 100% of the ordinary share capital of Europa Oil & Gas (UK) Limited (registered in England and Wales and non-trading).

Additions to the cost of investments represent the net value of options over the shares of the Company issued to employees of subsidiary companies less any lapsed, unvested options.

13 INVENTORIES – GROUP

	2018 £000	2017 £000
Oil in tanks	**20**	14

14 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Current trade and other receivables				
Trade receivables	**301**	612	**—**	—
Other receivables	**30**	117	**7**	30
Prepayments	**140**	157	**76**	126
	471	886	**83**	156
Non-current other receivables				
Owed by Group undertakings (note 23)	**—**	—	**2,139**	714

15 TRADE AND OTHER PAYABLES

	Group		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Trade payables	**1,090**	697	**620**	151
Other payables	**209**	248	**68**	48
	1,299	945	**688**	199

Group other payables includes advances received from partners on projects in UK.

16 DEFERRED TAX – GROUP

Recognised deferred tax asset:

	2018 £000	2017 £000
As at 1 August	**341**	157
(Charged)/credited to statement of comprehensive income	**(341)**	184
At 31 July	**—**	341

The Group has a deferred tax liability of £1,215,000 (2017: £1,542,000) arising from accelerated capital allowances and a deferred tax asset of £1,215,000 (2017: £1,883,000) arising from trading losses which will be utilised against future taxable profits. These were offset against each other resulting in a £nil net asset/liability (2017: £341,000 net asset). This offsetting was required because the Group settles current tax assets and liabilities on a net basis.

Non-recognised long-term deferred tax asset

The Group has a non-recognised deferred tax asset of £4,040,000 (2017: £3,162,000), which arises in relation to ring-fence UK trading losses of £5.9 million (2017: nil), non-ring-fence UK trading losses of £12.0 million (2017: £11.7 million) and subsidiary losses of £2.9m (2017: Company losses £0.5 million) that have not been recognised in the accounts as the timing of the utilisation of the losses is considered uncertain.

No deferred tax assets or liabilities are recognised in the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 PROVISIONS – GROUP

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.

Long-term provisions

	2018 £000	2017 £000
As at 1 August	**2,570**	2,347
Charged to statement of comprehensive income (note 7)	**165**	223
At 31 July	**2,735**	2,570

No provisions have been recognised in the Company.

18 CALLED UP SHARE CAPITAL

	2018 £000	2017 £000
Allotted, called up and fully paid Ordinary Shares of 1p		
At 1 August 301,388,379 shares (2017: 244,888,011)	**3,014**	2,449
Issued in the year: nil shares (2017: 56,500,368)	**—**	565
At 31 July 301,388,379 shares (2017: 301,388,379)	**3,014**	3,014

	Date	Type of Issue	Number of shares	Issue price	Raised net of costs £000	Nominal value £000
Ordinary Shares issued 2017	13 June 2017	Placing	35,000,000	6p	1,927	350
	13 June 2017	Open offer	21,500,368	6p	1,218	215
			56,500,368		**3,145**	**565**

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

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 2018 of £2,868,000 (2017: £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
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

19 SHARE BASED PAYMENTS

The Group operates an approved Enterprise Management Incentive ('EMI') share option scheme for employees and an unapproved scheme for grants in excess of EMI limits and for non-employees. Both schemes are equity settled share-based payments as defined in IFRS 2 Share-based payments. A recognised valuation methodology is employed to determine the fair value of options granted as set out in the standard. The charge incurred relating to these options is recognised within operating costs.

Combined information for the two schemes operated by the Group is set out below:

There are 23,414,440 ordinary 1p share options outstanding (2017: 23,264,440).

These are held as follows:

Holder	**31 July 2018**	31 July 2017
CD Bousfield (resigned 25 January 2018)	**—**	500,000
RJHM Corrie	**450,000**	950,000
P Greenhalgh	**4,525,000**	5,775,000
HGD Mackay	**11,700,000**	11,700,000
BJ O'Cathain	**1,200,000**	—
SG Oddie	**1,200,000**	—
Employees of the Group	**2,490,000**	2,490,000
Consultants and advisors	**1,849,440**	1,849,440
Total	**23,414,440**	23,264,440

The fair values of all options were determined using a Black Scholes Merton model. Volatility is based on the Company's share price volatility since flotation.

The inputs used to determine the values of the 2,400,000 options granted in 2018 are detailed in the table below:

Grant date	25 January 2018
Number of options	2,400,000
Share price at grant	4.5p
Exercise price	6.5p
Volatility	70%
Dividend yield	nil
Risk free investment rate	1.17%
Option life in years	6
Fair value per share	0.46p

The 2,400,000 options vest if the share price is above 10p for 30 days and expire on the 10th anniversary of the grant date.

The inputs used to determine the values of the 7,899,440 options granted in 2017 are detailed in the table below:

Grant date	13 June 2017	13 June 2017	13 June 2017
Number of options	1,399,440	450,000	6,050,000
Share price at grant	6.2p	6.2p	6.2p
Exercise price	6p	8p	8p
Volatility	60%	60%	60%
Dividend yield	nil	nil	nil
Risk free investment rate	0.07%	0.08%	0.29%
Option life in years	1.5	2.5	6
Fair value per share	1.65p	0.48p	0.83p

The 1,399,440 options are subject to no further vesting conditions and expire on the second anniversary of the grant date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 SHARE BASED PAYMENTS (CONTINUED)

The 450,000 options vest if the share price is above 10p for 30 days and expire on the 3rd anniversary of the grant date.

The 6,050,000 options vest if the share price is above 10p for 30 days and expire on the 10th anniversary of the grant date.

Based on the fair values above, the charge arising from employee share options was £11,000 (2017: £114,000). The charge relating to non-employee share options was £nil (2017: £2,000). The charge allocated direct to equity, relating to the issue of options on the issue of share capital, was £nil (2017: £23,000).

In the year 1,750,000 options expired, 500,000 were forfeited and none were exercised (2017: 80,000 expired, none forfeited and none were exercised).

	2018 Number of options	**2018 Average exercise price**	2017 Number of options	2017 Average exercise price
Outstanding at the start of the year	**23,264,440**	**11.62p**	15,445,000	11.62p
Granted	**2,400,000**	**6.5p**	7,899,440	6.65p
Expired	**(1,750,000)**	**20p**	(80,000)	25p
Forfeited	**(500,000)**	**8.9p**	—	—
Outstanding at the end of the year	**23,414,440**	**10.22p**	23,264,440	10.22p
Exercisable at the end of the year	**12,411,102**	**10.67p**	14,494,436	11.75p

Share options outstanding at the end of the period have exercise prices ranging from 6p to 16p.

The weighted average remaining contractual life of share options outstanding at the end of the period was 6.0 years (2017: 6.1 years).

20 FINANCIAL INSTRUMENTS

The Group's and Company's financial instruments comprise cash and cash equivalents, bank borrowings, loans, 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: credit; liquidity; interest rates; commodity prices; foreign exchange and capital. These risks are managed through ongoing review taking into account the operational, business and economic circumstances at that time.

Credit risk

The Group is exposed to credit risk as all crude oil production is sold to one multinational oil company. The customer is invoiced monthly for the oil delivered to the refinery in the previous month and invoices are settled in full on the 15th of the following month. At 31 July 2018 trade receivables were £301,000 (2017: £612,000) representing one month of oil revenue and receivables due from project partners). 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 £161,000 (2017: £155,000). The Company exposure to third party credit risk is negligible. The intercompany balance with Europa Oil & Gas Limited has been fully provided due to the questionability of its recovery.

Liquidity risk

The Company currently has no overdraft or overdraft facility with its bankers.

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 (representing the undiscounted cashflows) of the Group's and Company's financial liabilities.

	Group Trade and other payables		Company Trade and other payables	
At 31 July	**2018 £000**	2017 £000	**2018 £000**	2017 £000
6 months or less	**1,299**	945	**688**	199
Total	**1,299**	945	**688**	199

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.

Interest rate risk

The Group has no interest bearing liabilities.

20 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 Loss Before Taxation ('LBT') 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	**2018 Price US$/bbl**	**2018 LBT £000**	2017 Price US$/bbl	2017 LBT £000
Highest	May 18	**75.4**	**(2,017)**	54.1	(478)
Average		**64.6**	**(2,291)**	49.0	(675)
Lowest	Aug 17	**50.6**	**(2,644)**	44.1	(804)

Foreign exchange risk

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

US Dollar	Month	**2018 Rate US$/£**	**2018 LBT £000**	2017 Rate US$/£	2017 LBT £000
Highest	Jan 18	**1.422**	**(2,369)**	1.318	(697)
Average		**1.351**	**(2,287)**	1.272	(641)
Lowest	Aug 17	**1.289**	**(2,206)**	1.221	(574)

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	**2018 £000**	2017 £000	**2018 £000**	2017 £000
Euro	Cash and cash equivalents	**9**	11	**9**	11
	Trade and other payables	**(423)**	(5)	**(423)**	(5)
US Dollar	Cash and cash equivalents	**715**	691	**—**	4
	Trade and other receivables	**115**	118	**—**	—
	Trade and other payables	**—**	(71)	**—**	—
Total		**416**	744	**(414)**	10

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 (note 18) and bank borrowings (currently nil). 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.

21 CAPITAL COMMITMENTS AND GUARANTEES

The work commitments on FEL 1/17, FEL 2/13, FEL 3/13, LO 16/19 and LO 16/20 have been fulfilled and the only remaining activity is reporting to the Petroleum Affairs Division ('PAD') of the Department of Communications Climate Action and Environment ('DCCAE'). LO 16/22 has a remaining work commitment which is expected to cost £0.25 million.

At the reporting date, the Group had a commitment to drill a well on PEDL143 (Holmwood) before September 2020. Europa's share of the well cost is expected to be £0.2 million.

For PEDL299 (Hardstoft) and PEDL343 (Cloughton) there is a commitment to acquire seismic and Europa's share of combined cost is expected to be £1.25 million.

If the Group is not able to raise funds, farm-down, or extend licences; or elects not to continue in an exploration licence, then the impact on the financial statements will be the impairment of the relevant intangible asset disclosed in note 11.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 OPERATING LEASE COMMITMENTS

Europa Oil & Gas Limited pays annual site rentals 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 terminated upon giving two months' notice. The annual cost is currently £21,000 (2017: £20,000) and increases annually in line with the retail price index. The Crosby Warren lease runs until December 2022 and can be terminated on three months' notice. The annual cost is currently £20,000 (2017: £20,000).

Future minimum lease payments are as follows:

	2018 £000	2017 £000
Less than 1 year	**40**	40
2-5 years	**120**	160
5+ years	**—**	—
Total	**160**	200

23 RELATED PARTY TRANSACTIONS

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

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

	2018 £000	2017 £000
Europa Oil & Gas Limited	**1,256**	1,165
Europa Oil & Gas (Ireland West) Limited	**5**	4
Europa Oil & Gas (Ireland East) Limited	**7**	4
Europa Oil & Gas (Inishkea) Limited	**1**	—
Total	**1,269**	1,173

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

	2018 £000	2017 £000
Europa Oil & Gas (Ireland West) Limited	**584**	240
Europa Oil & Gas (Ireland East) Limited	**1,143**	474
Europa Oil & Gas (Inishkea) Limited	**412**	—
Total	**2,139**	714

The Directors consider it is prudent to provide fully against the Company's intercompany loan to Europa Oil & Gas Limited due to the questionability of its recovery. The movement in the provision was as follows:

	2018 £000	2017 £000
Provision against intercompany loan at start of year	**13,235**	12,197
Increase in provision during the year	**1,791**	1,038
Provision against intercompany loan at end of year	**15,026**	13,235

24 POST REPORTING DATE EVENTS

PEDL143 (Holmwood) the Secretary of State for Environment, Food and Rural Affairs, decided not to renew the lease at Bury Hill Wood, Coldharbour Lane leading to a withdrawal of the planning application to drill from the site.

DIRECTORS AND ADVISERS

Company registration number	5217946
Registered office	6 Porter Street London W1U 6DD
Directors	CW Ahlefeldt-Laurvig – Non-Executive CD Bousfield – Non-Executive Chairman (resigned 25 January 2018) RJHM Corrie – Non-Executive P Greenhalgh – Finance Director HGD Mackay – Chief Executive Officer BJ O'Cathain – Non-Executive (appointed 25 January 2018) SG Oddie – Non-Executive Chairman (appointed 25 January 2018)
Secretary	P Greenhalgh
Banker	Royal Bank of Scotland plc 1 Albyn Place Aberdeen AB10 1BR
Solicitor	Charles Russell Speechlys LLP 5 Fleet Place London EC4M 7RD
Auditor	BDO LLP 55 Baker Street London W1U 7EU
Nominated advisor and broker	finnCap Ltd 60 New Broad Street London EC2M 1JJ
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