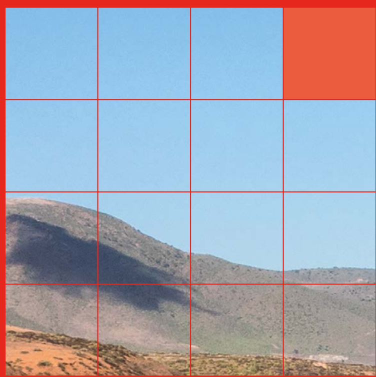
DIVERSIFYING
OUR ASSET BASE

EUROPA
Oil & Gas

Annual Report and Accounts
for the year ending 31 July 2019

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



Operations

The momentum behind the Company has continued with the completion of a major piece of exploration work at our flagship Inishkea gas project.

Read more about our Operations on **pages 8 to 13**

12-month extension for ('FEL 2/13')

The Irish Government has approved the Company's application for a 12-month extension to the First Phase of Frontier Exploration Licence 2/13.

Read more about the extension on **page 9**

WELCOME

Operational Highlights

Offshore Ireland

- LO 16/20, which holds Inishkea, Europa's flagship gas prospect, converted to 15-year exploration licence FEL 4/19
- 1.5 trillion cubic feet ('tcf') gross mean un-risked prospective gas resources and 1 in 3 chance of success assigned to Inishkea
- Progressing regulatory consent for site surveys over Inishkea, Kiely East and Edgeworth as part of drill site preparations
- Continuing farm-out discussions with respect to Frontier Exploration Licence ('FEL') 4/19, FEL 1/17 and FEL 3/13, FEL 4/19 now expected to be prioritised
- Secured a 12-month extension to the first phase of FEL 2/13 to 4 July 2020

UK

- Average of 91 barrels of oil equivalent per day ('boepd') (2018: 94 boepd) recovered from three UK onshore fields
- Workover of the West Firsby 6 well utilising a drain hole jetting technique – the well is currently producing 7 boepd net to Europa having previously produced nothing
- Wressle planning appeal scheduled for 5 November 2019 – subject to a positive outcome, development would more than double Europa's net production to around 240 boepd
- Sold interest in PEDL143 to UK Oil & Gas PLC

Financial Highlights

- **6% increase in Group revenue to £1.7m** (2018: £1.6m)
- **Zero exploration write-off** (2018: £1.3m)
- **Narrowing of pre-tax loss to £0.7m** (2018: loss £2.3m)
- **Post-tax loss of £0.7m** (2018: loss £2.6m)
- **16% reduction in administrative expenses to £811,000** (2018: £967,000)
- **Cash used in operating activities £0.66m** (2018: cash used £0.48m)
- **Net cash balance as at 31 July 2019 £2.9m** (31 July 2018: £1.8m)

Post Reporting Date Events

- Award of Inezgane Offshore licence on Atlantic coast of Morocco
- Irish Government announced intent to phase out future licensing for oil exploration, but not gas exploration; later confirmed that all existing exploration licences for both oil and gas remain valid

Contents

"I am also confident that adding a new venture in the appraisal/ development part of the business will diversify the asset portfolio."

Read more about our new Strategy Committee on **pages 6 to 7**

New ventures

Our portfolio currently comprises two main business areas:

- Very high impact exploration offshore Atlantic margin in Ireland and (as recently announced) Morocco, and
- Oil development and production onshore UK

It is a priority for the Board to add a third area in the appraisal/development part of the business cycle. Following a strategy review in October 2018 a dedicated Board Strategy Committee was set up, meeting monthly to track progress and review new venture opportunities against a continuously evolving business environment. We are seeking projects in different stages of the business cycle in new basins, in countries with low political and regulatory risk. Our approach is to review many candidates and progress only those which meet strict suitability criteria. Our target is to have identified and likely added this third area within the next period.

Ireland – Inishkea

Inishkea is our flagship prospect in Ireland. This is 'infrastructure-led' exploration next to the ~1tcf Corrib gas field in the Slyne basin and is unaffected by well results in the South Porcupine basin.

We reported gross unrisked prospective resources of 1.5tcf and an estimated geological chance of success of 1 in 3. LO 16/20 was converted to a 15-year Frontier Exploration Licence FEL 4/19 effective 1 August 2019. We have submitted a site survey application for a drilling location. The process began on 31 January and we hope to obtain regulatory approval during Q4 2019. As a consequence of the time taken by the regulatory authorities, site survey operations will be in 2020 subject to regulatory approval. We believe that there is a compelling technical and commercial case for gas exploration in the vicinity of the Corrib gas infrastructure and there are positive signs for a farmout.

Ireland – Porcupine

Though the Iolar exploration well on the western flank of the South Porcupine was unsuccessful, we believe that the geological fundamentals of the undrilled eastern flank are different and better. New technical work on FEL 1/17 and FEL 3/13 has enhanced our appreciation and understanding of the Edgeworth, Ervine, Egerton prospect complex and we will be presenting this to the industry at the Atlantic Ireland conference in October 2019. We have secured a 12-month extension for FEL 2/13 and await a similar extension for FEL 3/13. We have a site survey application in process for a location on the Edgeworth prospect in FEL 1/17. We hope to obtain regulatory approval during Q4 2019. As a consequence of the time taken, any site survey operations will be in 2020 and subject to regulatory approval.

Ireland – general

Two headwinds have adversely affected the oil and gas industry in Ireland:

- The Climate Emergency Measures Bill. Though the Bill did not proceed, it threatened substantial investments in Atlantic Ireland and was a significant concern
- The time taken to obtain regulatory approvals for licence renewals and conversions, and for operational activities such as site surveys, has been extended substantially

These factors have slowed the pace of industry activity and the farmout market and it is against this backdrop that our work continues with operations and farmouts.

The previously flagged farmout discussions continue, but given the time elapsed and the changing local market conditions the Board now considers it more likely that the farmin for the Inishkea licence FEL 4/19 will be concluded first rather than three licences simultaneously as originally envisaged.

Morocco

Post the reporting date, we announced the award of the Inezgane licence offshore Morocco. This licence is in an under-explored basin with the key elements of a working hydrocarbon system in the Lower Cretaceous. Morocco has an active oil and gas industry and a supportive Government, with a desire to grow the sector. Offshore, ENI and Genel are exploring just to the south of our licence. Shell, Repsol, Sound and SDX Energy are amongst the companies active onshore. Morocco has good fiscal terms. Entry costs, political, regulatory and security risks are all low.

During the initial two-year phase of the licence, Europa will reprocess 1,300km^2 of 3D seismic data. This continues a workflow process that we thoroughly understand having reprocessed 3,500km^2 in three seismic surveys offshore Ireland with very positive results. The forward plan is to reprocess, interpret, build prospect inventory and farmout to drill.

Our decision to enter Morocco was predicated on using the skills which our technical team have developed in working up prospects in areas covered with modern 3D seismic in a prospective offshore setting and presenting these to the industry in order to attract capital investment from larger industry players. We looked for a country where the entry costs were low, 3D was available at low cost, and the prospectivity, and consequential industry interest, was high. We are delighted to have secured a large and prospective block, in an area which is of keen interest to the industry, as the presence of major oil and gas companies in adjacent acreage demonstrates. Given the sometimes difficult operating environment in other jurisdictions, it is a pleasure for us to be operating in an area where the Government and the regulators are keen to work with industry in making progress for the country.

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, Morocco and the United Kingdom. The Board regards the Atlantic margin as the core area where Europa has built a portfolio of potentially company-making exploration projects. The Board is considering other investments in the Atlantic seaboard, north Africa and north west Europe.

UK – Wressle

Our focus is on getting the Wressle oil discovery into production. The Wressle oil development Planning Inquiry takes place in November 2019 and the news that North Lincolnshire Council have withdrawn from the inquiry is positive. The operator Egdon is working hard to present a strong case to the planning inspector and we are more hopeful than ever that we will have the well, which was drilled in 2014, producing oil in 2020.

Gross oil production on Wressle startup is forecast to be 500 bopd and Europa's 30% share will more than double our current production, providing an important part of our financial resilience.

UK – Production

We are trying to maximise our existing production from fields that we operate. At West Firsby a workover of well WF6 was successful and achieved oil production from a reservoir interval which has never previously produced. We gained invaluable insights into the practicalities of deploying drain-hole jetting technology and this will enable us to exploit other opportunities in our portfolio.

Conclusions

This has been a challenging year for the Company in Ireland where there have been delays beyond our control in both farmout and operational activities. On the positive side our further studies on Inishkea confirm it to be a potential company maker which fits well with the existing gas producing infrastructure and importantly with Ireland's short to medium-term energy and environmental requirements. I am optimistic that the Wressle development in the UK will finally be completed and brought on stream within the next period. I am also confident that adding a new venture in the appraisal/development part of the business will diversify the asset portfolio and provide greater protection for the Company from extraneous delays and unforeseen events.

I would like on behalf of the Board to thank the management, employees and consultants for their work and commitment throughout the year.

Finally, may I thank our shareholders for their support and confidence in the Company going forward.

Simon Oddie
Chairman

9 October 2019

A NEW VENTURE IN MOROCCO

Q&A with CEO Hugh Mackay

Q: Why Morocco?

A: The geological fundamentals are good: reservoir rocks, world class source rocks and traps are all present in offshore Morocco. The Atlantic coast of Morocco is under explored and the potential is there for companies who think differently to make company-making discoveries. We are inspired by the recent success in other Atlantic margin countries like Guyana, Senegal and Mauritania which like Morocco were similarly underexplored and overlooked until very recent discoveries have resulted in new and very significant petroleum provinces.

When assessing new country entry the above ground risks (political, regulatory, security) are equally if not more important than the below ground risks (geological, engineering, operational). The above ground risks in Morocco are low, the fiscal terms are amongst the best in the world and the government actively wants an oil and gas industry to grow and develop.

Q: What are the next steps?

A: We signed the Petroleum Agreement and Association Contract with ONHYM on 17 September. The licence is in the process of gazettal with the Ministry of Energy and Ministry of Finance. This process will complete during Q4 2019 and the eight-year licence will be given its official start date. We have already started technical work, ONHYM have transferred well and seismic data to us and we have begun the evaluation process.

The first phase of the licence is for two years and during that time we will merge and reprocess around 1,300km^2 of 3D seismic data, build the prospect inventory and then farmout to drill. There is considerable technical synergy with the work we have done in Atlantic Ireland and this is to our advantage in Atlantic Morocco. Even at this very early stage we have already had expressions of interest from potential farminees.

Q: What will this bring to Europa?

A: We have early mover advantage in what has the potential to be a new petroleum province. Industry interest in Morocco is picking up again, perhaps inspired by events in Guyana, Mauritania and Senegal. Three licence agreements were signed by ONHYM in 2019 and we believe a further two are under negotiation. Genel (Sidi Moussa Offshore) and ENI (Tarafaya Offshore) are active to the south of Inezgane and immediately to the north the Mogador Offshore licence is under negotiation. The size of the prize is exploration prospects that potentially host 100s of millions of barrels of oil. Hence the interest of large companies.

Q: What next?

A: We continue to actively seek new ventures in our Atlantic Margin, NW Europe, North Africa AOI. We are specifically seeking to balance the high impact exploration part of our portfolio with diversification into appraisal and development activities and our next new venture will be within these activity areas.

Morocco

Key Facts

- 13 largely independent E&P companies are covering a total exploration area of 127,000 km^2
- Projected investment in the energy sector by the year 2030 estimated to be $40 billion, presenting significant investment opportunities

forbes.com

DIVERSE ASSETS

Our portfolio

COUNTRY	AREA	LICENCE	FIELD/ PROSPECT	OPERATOR	EQUITY	STATUS
Ireland	South Porcupine	FEL 2/13	Kiely East & West, Kilroy	Europa	100%	Exploration
		FEL 3/13	Beckett, Wilde, Shaw	Europa	100%	Exploration
		FEL 1/17	Ervine, Edgeworth, Egerton	Europa	100%	Exploration
		LO 16/19	2 leads	Cairn	30%	Exploration
	Slyne Basin	FEL 4/19	Inishkea, Corrib North	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
Morocco	Agadir Basin	Inezgane	Falcon, & Sandpiper	Europa	75%	Exploration

Read more on **pages 8 to 12**

MAXIMISING VALUE PROPOSITION

Europa's objective is to create a significant liquidity event for its shareholders through successful drilling of its high impact exploration portfolio, and discovery of oil and gas.

Our Strategy

In parallel with our strategy, we need appropriate balance in the portfolio from the appraisal, development and production parts of the business cycle and our new ventures strategy is now focused exclusively on opportunities in this area.

Our area of interest is the Atlantic seaboard, north Africa and north west Europe. We are prepared to evaluate and acquire quality assets wherever they become available provided that they are in countries that have low political, regulatory and security risks and have transparent licensing processes together with acceptable commercial terms.

New Strategy Committee

Following a review by the Board in late 2018 a dedicated Board Strategy Committee was formed to ensure delivery of the strategy.

The committee meets every month and reviews opportunities, recommendations, and deal flow and also seeks to harness the expertise of the Board to deliver the strategy. It is chaired by HGD Mackay. CW Ahlefeldt-Laurvig, BJ O'Cathain and SG Oddie are members.

With the recent addition of the Inezgane Offshore licence we feel that the high impact exploration component of our portfolio is sufficiently stocked. Our focus during 2019 has been and will continue to be on appraisal, development and production opportunities.

To date during calendar year 2019 some 30 potential opportunities have come to our attention and have been subject to various levels of technical and commercial screening depending on the merits and requirements of each particular opportunity. At any given time, there are typically two or three opportunities at various stages in the evaluation process.

We are very selective, have specific screening criteria and always seek to make rapid assessment and decisions. As one would expect from the appraisal, development and production business areas many of the opportunities have 100% chance of geological success and the key criteria are often commercial risk and development risk.

Committee members:

Hugh Mackay (as chair)

Simon Oddie

Brian O'Cathain

William Ahlefeldt-Laurvig

Our Key Performance Indicators

Non-financial KPIs

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

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

Financial KPIs

- Revenue
- Profit
- Cash from operations
- New cash balance

Financial analysis is provided in the Operations review on **page 13**

OFFSHORE IRELAND

Highlights

- LO 16/20, which holds Inishkea, Europa's flagship gas prospect, converted to 15-year exploration licence FEL 4/19
- 1.5 trillion cubic feet ('tcf') gross mean un-risked prospective gas resources and 1 in 3 chance of success assigned to Inishkea
- Progressing regulatory consent for site surveys over Inishkea, Kiely East and Edgeworth as part of drill site preparations

The Slyne Basin, Ireland

Exploration

Slyne Basin: FEL 4/19 (Inishkea)

The Inishkea gas prospect in FEL 4/19 has been the focus of substantial technical, commercial and operations work during the year and remains the Company's flagship project. Inishkea is a large, low risk gas prospect close to gas infrastructure and in a country with a robust demand for gas.

Ireland has a growing economy and its demand for energy and electricity is forecast to rise. The Government has announced its firm commitment to phase out coal from the Irish generating mix by 2025, and the 915 MW currently generated by coal at the Moneypoint power station is likely to be replaced by gas-fired power generation. Gas will be a key part of the Irish energy transition providing baseload and back up to renewables. As Minister Bruton said on 25 July 2019 in ***www.thejournal.ie*** "There's no doubt if we had a gas find beside Corrib and could continue to supply from Corrib that would be of immense benefit to us in that transition, it would allow us to have gas as a transition fuel because when the wind doesn't blow and the sun doesn't shine you need a transition fuel".

> *"There's no doubt if we had a gas find beside Corrib and could continue to supply from Corrib that would be of immense benefit to us in that transition, it would allow us to have gas as a transition fuel because when the wind doesn't blow and the sun doesn't shine you need a transition fuel".*

The Irish Government approved the Company's application to convert Licensing Option 16/20 in the Slyne Basin in Atlantic Ireland to FEL 4/19. The 100% owned licence has a 15-year term commencing from 1 August 2019.

During the year, substantial technical work was undertaken to further de-risk and quantify prospective resources for Inishkea. This work included Pre-Stack Depth Migration ('PSDM') reprocessing of 770km^2 of 3D seismic data over Inishkea and the Corrib gas field. The geophysical interpretation arising from the PSDM data has been benchmarked and calibrated against newly released Ocean Bottom Cable 3D seismic data over Corrib. That work assigned the Inishkea prospect an estimated Gross Mean Un-Risked Prospective Resource ('GMUPR') of 1.5 tcf.

Inishkea is a large fault bounded Triassic structure that lies northwest of the Corrib gas field. The reservoir is Triassic age sandstone sourced from the underlying Carboniferous. The trap is provided by a combination of Triassic Uilleann Halite top seal and fault seal. Engineering studies demonstrate strong positive economics for a range of porosity outcomes, including outcomes significantly poorer than Corrib. Europa's view of porosity at Inishkea is supported by velocity data from the new PSDM data. Given the Company's confidence in trap and reservoir quality and the nearby Corrib gas field, the Company assigned Inishkea a one-in-three chance of success. Inishkea is in relatively shallow water in a proven gas play 18km from the Corrib infrastructure connecting it to the 350m cubic feet of gas per day Bellanaboy gas processing plant. Corrib field production is in decline. During Q2 2019 average production was 245 mmscf/d and there is growing spare capacity in the infrastructure that a new discovery could potentially take advantage of. Inishkea offers a low risk, high impact exploration prospect that can be potentially fast tracked to commercialisation.

A drilling location for a first exploration well on Inishkea (18/20-H) has been identified and the well engineering design is completed. There is a robust, low risk seismic tie for the Corrib Sandstone reservoir back to the Corrib gas field. Europa intended to acquire a site survey in summer 2019 and began the regulatory consent process in January 2019. We remain hopeful that regulatory consent will be obtained during Q4 2019. Unfortunately, the delay in granting permission for this survey means that site survey operations will likely take place in 2020 and that any drilling will be from 2021 at the earliest.

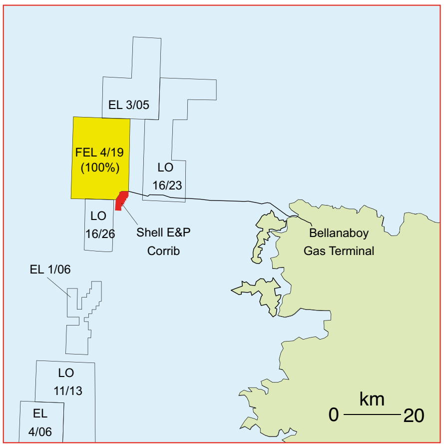
Elsewhere on FEL 4/19, the Corrib North structure containing the 18/20-7 gas discovery well drilled by Shell in 2010 may be upgraded to contingent resources pending further engineering evaluation. Discovered Gas Initially In Place ('GIIP') is provided in the table at the top of the following page:

			GROSS UN-RISKED PROSPECTIVE RESOURCES (BILLION CUBIC FEET)			
LICENCE	PROSPECT	PLAY	LOW	BEST	HIGH	MEAN
FEL 4/19	Inishkea	Triassic gas	244	968	3,606	1,528

			GROSS DISCOVERED GIIP (BILLION CUBIC FEET)		
LICENCE	PROSPECT	PLAY	LOW	BEST	HIGH
FEL 4/19	Corrib North	Triassic gas	5	41	208

			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. However, due to the significant uncertainties in the available geological information, there is a significant possibility of gas charge.
+Prospect extends outside licence, volumes are on-licence.



FEL 4/19 in the Slyne Basin

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 volumetrics are based on prospect mapping utilising the 2017 and 2018 reprocessed PSDM 3D seismic data that we 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 above summarises the GMUPR across selected prospects in FELs 1/17, 2/13 and 3/13.

FEL 3/13 and FEL 1/17 are considered our most prospective licences in the South Porcupine and our top ranked prospects is the Edgeworth Ervine fault block complex in FEL 1/17. The application process for a site survey on Edgeworth commenced in February 2019 and remains ongoing.

The Government approved the Company's application for a 12-month extension to the First Phase of FEL 2/13 to 4 July 2020. The Company's application for a 12-month extension to the First Phase of FEL 3/13 remains under Government consideration.

The next steps for FEL 2/13 include integration of recently purchased CREAN 3D seismic data with particular focus on mapping the extension of Kiely East into open acreage to the south of the licence. The application process for a site survey on Kiely East commenced in February 2019 and remains ongoing.

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 a final processed product was delivered in Q4 2018. Following the farmout in April 2017, Europa is carried on this work programme by Cairn Energy up to a cap of US$6m. Prospect mapping is in progress and the prospect inventory is expected later in 2019.

OFFSHORE IRELAND (CONTINUED)

The Iolar well

The South Porcupine basin is a large basin (circa 50,000km^2) with only four exploration wells drilled since 1988. The most recent well is the CNOOC operated Iolar well in FEL 3/18 on the west flank of the basin and drilled during summer 2019. On 22 August 2019 CNOOC advised that the well had been plugged and abandoned as a dry hole. The pre-drill public domain information indicated the well was to be drilled in 2,162m water depth, with a forecast TD of 6,174 mtvdss and with a primary target of Middle Jurassic sandstones. The well was drilled as a 'tight hole' which means that the partners have not released any detailed information on its results post drilling. Consequently, there is no information available as yet regarding actual stratigraphy, formation tops, source rocks, reservoir and hydrocarbon indications encountered in the well.

Europa believes that its Middle Jurassic prospects in FEL 3/13 and FEL 1/17 on the undrilled east flank of the South Porcupine are more prospective, and lower risk than prospects on the west flank of the basin. Whilst the 417 mmbo Edgeworth Ervine fault block complex is also targeting marine Middle Jurassic sandstone reservoirs, crucially at this location we expect to encounter top seal provided by Upper Jurassic mudstones, and the basinward dipping fault blocks are likely to be in communication with mature, oil prone Upper Jurassic source rocks.

Farmout

As previously announced, we have negotiated farmout agreements in respect of FEL 4/19, FEL 1/17 and FEL 3/13 with the NW Europe division of a major oil company (the 'Major'). Europa is in regular contact with the Major and continues to await a final investment decision from the Major's head office. However, owing to the length of time it has taken to complete the farmout agreement, we have continued to market the licences to other potential partners. We are focused on being in a position to drill Inishkea at the earliest opportunity and farmout discussions are ongoing with a number of parties, including the Major. We believe that the "Major" is considering prioritising conclusion of the FEL 4/19 Inishkea farmout and in advance of the South Porcupine licences FEL 1/17 and FEL 3/13.

The future of exploration in Ireland

On 23 September 2019 at the UN Climate Action Summit in New York An Taoiseach Leo Varadkar stated the Irish Government's intention to phase out oil exploration licences in the future, but not gas exploration. The Irish Offshore Operators Association (IOOA), the representative organisation for the Irish offshore oil and gas industry, sought clarification from the Government on behalf of its members. On 24 September the Government confirmed to IOOA that its proposals "will relate to future applications" and that its "existing licences will remain valid".

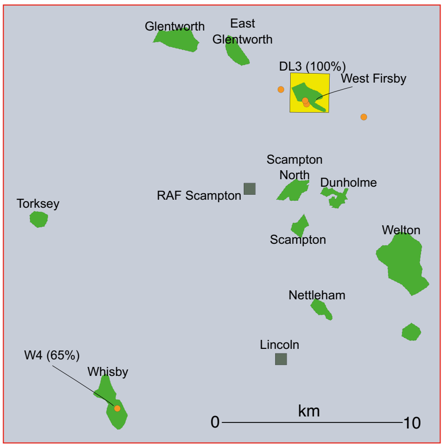
All of Europa's existing licences in Atlantic Ireland are therefore valid, and will continue to be valid, irrespective of whether exploration is for oil or gas.

IOOA is awaiting a meeting with the Government to outline its proposals on how future licensing rounds will be implemented. We understand that future applications for gas exploration licences may be permitted.

Our flagship project in Atlantic Ireland is the 1.5 tcf Inishkea gas prospect and we note in the letter of 20 September from Ireland's Climate Change Advisory Council and tweeted by Minister Bruton at the UN on 23 September the comment that 'Recovery of newly discovered gas reserves may lead to improved energy security, lower energy costs, and facilitate reductions in greenhouse gas emissions during the transition to a low carbon economy'. We consider this a positive statement for Irish gas exploration.

ONSHORE UK

Our oil production in onshore UK and the revenue streams that it generates is an important part of the Company's portfolio.



Location of West Firsby and Whisby

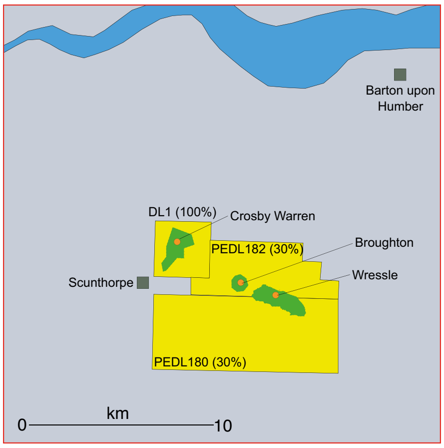
We are actively maximising production from our existing fields and most importantly we are finally making positive progress towards obtaining planning approval for the Wressle oil development.

Production

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

During the period, initiatives were undertaken to maximise production at the West Firsby oil field including a workover of the WF6 well utilising a drain hole jetting technique for the first-time onshore UK. The workover involved jetting 16 90m length drain holes and setting a new record for hole angle. Having previously produced zero oil, WF6 is currently producing 7 bopd net to Europa. Whilst a comparatively small quantum of oil at $60 per barrel oil price it is an increase of around 8% in our UK production. Most importantly we have gained unique insights into utilisation and deployment of the technology and we are seeking other opportunities where the quantum increase in production will be more substantial.

An average of 91 boepd (2018: 94 boepd) was recovered from the three UK onshore fields. Production was down as a result of natural decline, but partially offset by the contribution from the WF6 well.



PEDL180 (Wressle) and Crosby Warren

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

Europa has a 30% working interest in licence PEDL180 in the East Midlands which holds the Wressle oil discovery, alongside Egdon (operator, 30%), Union Jack Oil (27.5%), and Humber Oil & Gas Limited (12.5%).

An inquiry to hear the Company's appeal against the refusal of planning consent for the development of the Wressle oil field by the planning committee of North Lincolnshire Council ('NLC') is scheduled to commence on 5 November 2019. Following a closed meeting held on 17 July 2019, we learnt that NLC will not present evidence at the inquiry and has withdrawn its case following agreement of acceptable planning conditions.

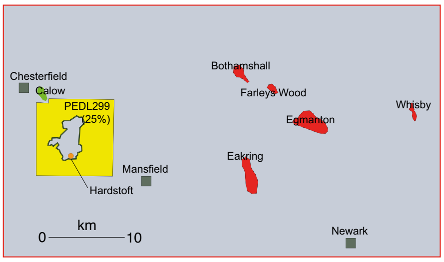
We welcome the NLC decision and look forward to continuing to support the operator Egdon, as it seeks to obtain planning permission via the appeal and prepares to present the case for the development of the Wressle oil field to the independent professional Planning Inspector.

The Wressle oil field was discovered in 2014 by the Wressle-1 well. During testing, a total of 710 boepd were recovered from three separate reservoirs, the Ashover Grit, the Wingfield Flags and the Penistone Flags. In September 2016, a Competent Person's Report ('CPR') provided independent estimates of reserves and contingent and prospective oil and gas resources for the Wressle discovery of 2.15m stock tank barrels classified as discovered (2P+2C). Under the proposed development plan, Wressle is anticipated to produce at an initial gross rate of 500 bopd. If that were achieved, Europa would receive a net 150 bopd from Wressle and Europa's UK production would increase to around 240 bopd. Most importantly our revenue from production would more than double and make an important contribution to the financial stability of the Company.

East Midlands: PEDL181

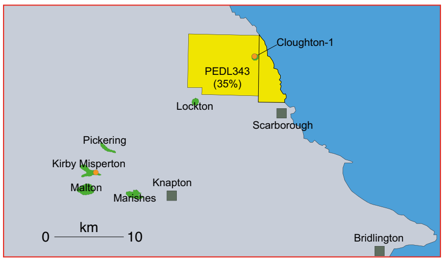
PEDL181 provides exposure to the hydrocarbon potential of the Humber basin. The licence has technical synergy with the adjacent PEDL334 which was awarded to an Egdon Resources-led group in the 14th Round for the purpose of conventional and unconventional exploration.

ONSHORE UK (CONTINUED)



PEDL299

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 to be recovered from the Hardstoft structure. Gross 2C contingent resources of 3.1 mmboe and gross 3C contingent resources of 18.5 mmboe were identified in a CPR issued by joint operation 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%.



PEDL343

Cleveland Basin: PEDL343 (Cloughton)
PEDL343 contains the Cloughton gas discovery, which was drilled by Bow Valley in 1986 and flowed 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%.

Weald Basin: PEDL143 (Holmwood)
We completed the sale of our 20% interest in the UK onshore PEDL143 exploration licence to AIM-traded UK Oil & Gas PLC ('UKOG') for a consideration of £300,000, satisfied through the issue of 25,951,557 shares ('Consideration Shares') in UKOG. The Consideration Shares are subject to a six-month orderly market provision.

New ventures

In Morocco we have signed the Inezgane Offshore exploration permit with ONHYM (the National Office of Hydrocarbons and Mines) on 17 September. Inezgane is on the Atlantic Margin of Morocco and represents a new high impact exploration component to our portfolio of licences.

The next step is formal ratification by the Ministry of Energy and Ministry of Finance. This is expected to be obtained during November and the eight-year licence will formally be given its start date. In the interim period work has already started. ONHYM is already providing Europa with the relevant 3D, 2D, well data and regional geological information.

The first phase of the licence is for two years during which time we will reprocess 1,300km^2 3D seismic, build the prospect inventory, define a drillable prospect and farmout to drill in Phase 2. The cost of the first phase programme is expected to be around £500,000.

Inezgane Offshore is located in the Agadir Basin on the Atlantic Coast of Morocco. Water depths vary from 600-2,000m and the licence is very large: 11,288km^2 in area. Morocco's Atlantic coastline is ~1,800km in length, only 10 deep-water wells have been drilled and only three of them have penetrated the Lower Cretaceous reservoir interval that we are interested in, none of them optimally. We consider the Atlantic Coast to be underexplored and that the potential of the Lower Cretaceous play has been previously overlooked by the industry. The Atlantic region of Morocco has already demonstrated world class source rocks. Good quality lower Cretaceous reservoirs are exposed on the surface in the nearby Canary Islands and in the Moroccan onshore. We believe that there is an optimal combination of thick reservoir, source rock and trap in our licence with potential to host prospects with resources in excess of 250 mmbo. Morocco has amongst the best fiscal terms in the world and whilst deep water the operating environment is more benign compared to West of Shetland or Atlantic Ireland.

We have been provided with a large volume of modern 3D seismic data and we will be reprocessing around 1,300km^2 focused on maturing the Falcon, Sandpiper prospects (amongst others) to drillable status.

This region of the Atlantic Coast in Morocco is already a focus for industry interest. To the south of Inezgane Genel has acquired 3,500km^2 of 3D seismic in Sidi Moussa Offshore and ENI have farmed out a 30% interest to Qatar Petroleum in Tarfaya Offshore. Immediately to the north of and abutting Inezgane is the Mogador Offshore licence which is under active negotiation. We await with interest the announcement of an award of an exploration licence here. We consider that in Inezgane, we have a very prospective licence in an area that is re-emerging as an industry exploration hotspot.

We believe that the main reason that the exploration industry's major oil and gas companies have turned their interest to offshore Morocco again is that it shares similar geology and prospectivity to other Atlantic margin countries like Guyana and Senegal. Like Morocco these countries have also had intermittent exploration drilling since the 1960s and were also 'off radar' until very recent discoveries changed that mindset. In offshore Guyana in excess of 5 billion barrels of oil has been discovered and in offshore Senegal/Mauritania in excess of 50TCF and 1 billion barrels of oil has been discovered in recent years. We are optimistic that the Moroccan offshore can become a similar resurgence story.

Our work programme is one that plays to our technical strengths given our previous experience reprocessing three 3D surveys in Ireland against a tight time frame and with excellent results. In due course we will be seeking to bring in a farmin partner and even at this early stage there is significant industry interest in our licence.

Non-financial Key Performance Indicators ('KPIs')

There were no reportable accidents or incidents in the year (2018: zero).

There were no new licence awards in the year; the Morocco Inezgane Offshore exploration permit was signed post year end. (2018: zero).

Financials

Revenue was £1.7m (2018: £1.6m). The average oil price achieved was US$66.7/bbl (2018: US$64.5/bbl) and the average Sterling exchange rate was US$1.29 (2018: US$1.35). An average of 91 boepd (2018: 94 boepd) was recovered from our three UK onshore fields. Production was down as a result of natural decline, but partially offset by a contribution from the West Firsby WF6 well following the workover.

Stringent cost controls continue to be implemented but additional one-off cost was incurred during the WF6 workover. Cost of sales was £1,682,000 (2018: £1,365,000).

Administrative expenses of £811,000 (2018: £967,000) included £102,000 on new licence evaluations (2018: £230,000).

The placing and open offer announced in November 2018 raised combined £4,299,000 gross and £3,962,000 after expenses (including £17,000 of non-cash expenses).

Net cash spent on operating activities was £661,000 (2018: cash spent £479,000).

Purchase of intangible fixed assets of £1,973,000 (2018: £1,336,000) was largely spent advancing the Irish portfolio.

The Group's cash balance at 31 July 2019 was £2.9m (31 July 2018: £1.8m). The Group's cash flow forecast up to 31 December 2020 considers the continuing and forecast 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. Based on that forecast, the Directors have concluded that Group will be able to continue as a going concern and meet its obligations as and when they fall due. The critical assumption in reaching that conclusion is that the Wressle planning appeal scheduled for 5 November 2019 has a positive outcome and production commences at the forecasted rate in 2020. In the absence of incremental production from Wressle in 2020 then additional funding by the issuance of shares or sale of assets would be required. If additional funding was not available there is a risk that commitments could not be fulfilled, and assets would be relinquished.

Hugh Mackay
Chief Executive Officer

9 October 2019

RESPONSIBLE RISK MANAGEMENT

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, considering 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 23.	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 five 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 time 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

9 October 2019

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

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.

How we govern the Group

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 is the most appropriate for the Group to adhere to.

The QCA Code is constructed around 10 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 12 months have seen, amongst others, the following governance developments:

- SG Oddie and RJHM Corrie met with major shareholders
- Establishment of a Strategy Committee of the Board
- 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

QCA PRINCIPLES

For the purposes of clarity, the description of how the Group complies with the 10 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.

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.

Review of each of the QCA principles

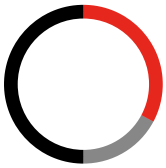
PRINCIPLE 1:	
Establish a strategy and business model which promote long-term value for shareholders.	Our strategy is described here: ***http://www.europaoil.com/strategy.aspx*** Also note: ■ In January 2019 following a review of strategy led by BJ O'Cathain, the Board resolved to establish a Strategy Committee to provide support to the executive in implementing the strategy ■ The Strategy Committee has met five times in 2018-19 ■ Strategy is assessed by discussion between the Directors ■ An external strategy session is not considered useful ■ 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.

PRINCIPLE 3:	
Take into account wider stakeholder and social responsibilities and their implications for long-term success.	Key stakeholders are: ■ Phillips 66, (who purchase our produced crude oil) ■ Employees and consultants ■ Regulators (OGA, DCCAE (Department of Communications, Climate Action and Environment (Ireland)), EA, HSE, Local Authorities) ■ Host Governments ■ Local communities ■ Partners and Co-venturers 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. Engagement with UKOOG has helped improve our submissions to various regulatory authorities. Europa is a member of the Irish Offshore Operators' Association ('IOOA') which has been highly active in promoting the need for oil and gas exploration 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.

PRINCIPLE 5:

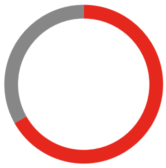
Maintain the Board as a well-functioning, balanced team led by the chair.

Tenure (yrs)



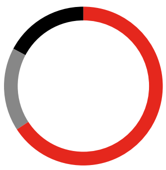
0-5	33%
5-10	17%
10-15	50%

Age distribution (yrs)



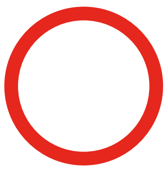
50s	67%
60s	33%

Nationality (%)



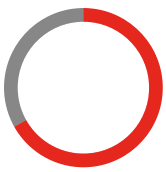
British	66%
Danish	17%
Irish	17%

Gender diversity (%)



Male	100%
Female	0%

Independence (%)



Independent	67%
Non-independent	33%

All of the four NEDs 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, SG Oddie, RJHM Corrie and BJ 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, CW Ahlefeldt-Laurvig and RJHM Corrie, have been members for more than the nine years recommended by the 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 SG Oddie and BJ O'Cathain in January 2018 compensated somewhat for their seniority and reduced the average tenure of the Board. Directors serving more than six years will continue to be proposed for re-election at each AGM.

HGD Mackay (CEO) and P Greenhalgh (FD and Company Secretary) are full time employees.

SG Oddie (non-executive Chairman); BJ O'Cathain, RJHM Corrie and CW 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 seven Board meetings per year, the AGM, and Board committee meetings.

The minimum numbers of meetings for committees are: Audit Committee – two; Remuneration Committee – one; and Nominations Committee – one. Meetings held and attendance records of all Directors for the period 1 August 2018 to 31 July 2019 are set out below. 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 2019 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 The second review will be completed later this year.

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 – SG 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, ensuring 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 – HGD Mackay** ■ Develops Group objectives and strategy ■ Executes strategy following approval by the Board ■ Identifies and executes licence acquisitions and disposals, joint venture opportunities, approves 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 considered 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 – RJHM 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 – P 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, Nominations and Strategy 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.	SG Oddie and RJHM Corrie met major shareholders without executives present. The Audit Committee met to review the interim and preliminary accounts for the Group and held meetings with the external auditor without executives present. The Remuneration Committee met twice during the year to review remuneration and incentives. During the year the Company has focused on advancing its portfolio towards drilling and looked at new asset opportunities. Past Notice of AGMs are available at: ***http://www.europaoil.com/reportsandpresentations.aspx***

	BOARD MEETINGS		AUDIT COMMITTEE		REMUNERATION COMMITTEE		NOMINATIONS COMMITTEE		STRATEGY COMMITTEE	
SUMMARY	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible
SG Oddie	8	8	2	2	2	2	1	1	5	5
CW Ahlefeldt-Laurvig	8	8	2	2	2	2	1	1	5	5
RJHM Corrie	8	8	2	2	2	2	1	1	—	—
BJ O'Cathain	8	8	2	2	2	2	1	1	3	5
HGD Mackay	8	8	—	—	—	—	1	1	5	5
P Greenhalgh	8	8	—	—	—	—	—	—	—	—

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 26-27. All four NEDs 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 below.

SG Oddie is non-executive Chairman, RJHM Corrie is the SID, BJ O'Cathain and CW Ahlefeldt-Laurvig are Non-Executive Directors.

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 2018 to 31 July 2019 are set out above.

Simon Oddie
Chairman

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:

- Approved their remuneration for audit and non-audit services
- Approved 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 reviewed and approved 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

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.

BJ O'Cathain chairs the committee. CW Ahlefeldt-Laurvig, RJHM Corrie and SG Oddie are members. The Remuneration Committee met twice in the year.

In setting the remuneration for the Executive Directors and key staff, the committee compares published remuneration data for other AIM and Main LSE Board oil and gas companies of a similar market capitalisation and seeks to ensure that the remuneration of the Executive Directors is broadly comparable to their peers in other similarly sized organisations.

In 2018-19:

- 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
- An executive bonus scheme was agreed and implemented

Brian O'Cathain
Remuneration Committee Chair

The Nominations Committee reviews the size, structure and composition of the Board and considers succession planning.

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

SG Oddie chairs the committee. CW Ahlefeldt-Laurvig, BJ O'Cathain, RJHM Corrie and HGD Mackay are members. The Nominations Committee met once in 2018-19.

- It was re-iterated that we would look for a female Board member at the next opportunity
- The splitting of the FD and Company Secretary roles was not considered necessary given the current workload
- The committee reviewed succession planning and agreed who would step into senior roles in the event of an emergency
- The time commitment required of the NEDs was considered to be appropriate

Simon Oddie
Nominations Committee Chair

OUR STRONG LEADERSHIP

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

Committee member key:

- A Audit Committee
- R Remuneration Committee
- N Nominations Committee
- S Strategy Committee
- ☐ Chair of Committee
- ■ Member of Committee

N S

HGD 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 10 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 the 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

A R N S

SG 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 more recently was the architect of the Gemini Oil and Gas royalty funds where he established a solid track record in fundraising, investor relations, and origination, evaluation and execution of oil and gas deals
- He has completed the Advanced Management Program (AMP 155) 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, industry groups, and seminars

A R N S

CW 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-executive 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 his oil and gas interests, William is currently involved in a new IT start-up which will launch late 2019

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 2018-19 this has not been required.

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

BJ 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, and of Nephin Energy, a private gas producing company which is the largest equity holder in the Corrib Gas Field in Ireland. Nephin Energy is a 100% subsidiary of Canadian Pension Plan Investment Board, one of the world's largest Sovereign Wealth Funds
- 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

RJHM CORRIE
Non-Executive Director and Senior Independent 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, two of which 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 recent CFO and director of another listed company, Roderick is required to keep his skills up to date

P GREENHALGH
Finance Director and Company Secretary

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 €50m 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 farmin / farmout negotiations, asset disposals and improving the Group's financial reporting and forecasting and regularly attends meetings of the UK Onshore Operating Group (UKOOG)

Business review

A detailed review of the Group's business is set out in the Chairman's statement (page 2) and Our strategy (page 6).

Future developments

Details of expected future developments for the Group are set out in the Chairman's statement (page 3) and Our strategy (page 6).

Dividends

The Directors do not recommend the payment of a dividend (2018: £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	
	2019	2018	**2019**	2018
CW Ahlefeldt-Laurvig[1]	**33,752,442**	33,752,442	**—**	—
RJHM Corrie[2]	**1,251,631**	1,251,631	**450,000**	450,000
P Greenhalgh	**605,973**	605,973	**4,525,000**	4,525,000
HGD Mackay	**5,700,000**	4,700,000	**11,700,000**	11,700,000
BJ O'Cathain	**250,000**	—	**1,200,000**	1,200,000
SG Oddie	**500,000**	250,000	**1,200,000**	1,200,000

1 CW Ahlefeldt-Laurvig holds his shares with HSBC Global Custody Nominee (UK) Limited.
2 RJHM Corrie has interests 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 21.

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 22 to the financial statements.

Related party transactions

See note 25 to the financial statements.

Post reporting date events

See note 26 to the financial statements.

Capital structure and going concern

Further details on the Group's capital structure are included in note 20. Comments on going concern are included in the Operations report and note 1. The critical assumption in the going concern determination is that the Wressle planning appeal scheduled for 5 November 2019 has a positive outcome and production commences at the forecasted rate in 2020. In the absence of incremental production from Wressle in 2020 then additional funding by the issuance of shares or sale of assets would be required. If additional funding was not available there is a risk that commitments could not be fulfilled, and assets would be relinquished.

Accounting policies

A full list of accounting policies is set out in note 1 to the financial statements. IFRS 15 and IFRS 9 have come into effect in the period. IFRS 15 has no material impact on the Group's revenue recognition (see below). IFRS 9 has resulted in the write down of a portion of the Group's intercompany loans (detailed in note 25).

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 were 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
9 October 2019

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.

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

Opinion

We have audited the financial statements of Europa Oil & Gas (Holdings) plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 July 2019 which comprise the Consolidated Statement of Comprehensive Income, the consolidated and Company statements of financial position, the consolidated and the Company statements of changes in equity, the consolidated and Company statements 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 2019 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.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements concerning the Group's ability to continue as a going concern which indicates that the Group is reliant on planning permission being granted for the development of the Wressle oil discovery asset and subsequent commencement of production at the forecasted rate in 2020. The planning appeal is scheduled for 5 November 2019. In the absence of a timely and positive outcome from this planning appeal, additional fundraising would be required to enable the Group to meet its licence commitments.

The matters explained in note 1 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Our opinion is not modified in respect of this matter.

We obtained management's cash flow forecasts for the period to December 2020. We assessed 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 and we performed our own sensitivity analysis in respect of key assumptions including reducing the oil price, removing the cash inflows from Wressle and limiting capital expenditure to committed levels.

We noted that the forecast is dependent upon a successful outcome of the Wressle planning appeal and the cash flows which are forecast to be generated as a result of the production expected following that successful planning appeal.

We assessed the appropriateness of the disclosures included in the financial statements given in note 1.

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.

<table>
<tr><th>MATTER</th><th>OUR RESPONSE</th><th>KEY OBSERVATIONS</th></tr>
<tr><td colspan="3">Carrying value of producing assets</td></tr>
<tr><td>As detailed in notes 1 and 12, 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.

No impairment has been recognised in the year. 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.</td><td>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 which included a comparison of oil price forecasts to historical achieved data and market outlook reports, recalculation of discount rates and comparing cost assumptions to historical data in the year and post year end.

We reviewed the reserves and decline rates used in the models and compared them to the most recent independent competent persons reports and assessed the objectivity, competence and independence of those experts as well as the suitability of the work of those experts for our purposes.

We reviewed the licences to check whether or not they remain valid.

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 12.</td><td>Our work has identified no instance of inappropriate impairment conclusions.</td></tr>
<tr><td colspan="3">Carrying value of exploration assets</td></tr>
<tr><td>The non-producing exploration assets of the Group are classified as intangible assets within non-current assets in the statement of financial position. As detailed in notes 1 and 11, there are inherent uncertainties around the recoverability of exploration and evaluation assets.</td><td>We tested a sample of additions to exploration and evaluation assets by verifying to third party documentation to confirm whether or not 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 management's assessment that there were no indicators of impairment was appropriate.

We confirmed there is an ongoing plan to develop the licence areas and verified that the licences remain valid.

Our specific audit testing in this regard included:
■ The verification of licence status, in order to confirm legal title. This included specific consideration of the developments regarding the Irish Government in 2019 and the pending planning permission decision at Wressle.
■ Reviewing exploration activity to assess whether there was any evidence from exploration results to date which would indicate a potential impairment.
■ Obtaining approved budgets and minutes of Board meetings to confirm whether or not the Group intended to continue to explore specific licences.
■ Obtaining an understanding of management's expectation of commercial viability, reviewing any available technical documentation and discussing results and operations.
We challenged management's assessment of whether or not the post balance sheet announcement by the Irish Government as disclosed in note 26 is an indicator of impairment.

We assessed the appropriateness of the disclosures included in the financial statements given in notes 1 and 11.</td><td>Our work has identified no instance of inappropriate impairment conclusions.</td></tr>
</table>

Our application of materiality

GROUP MATERIALITY	PARENT COMPANY	BASIS FOR MATERIALITY
£182,000 (2018: £133,000)	£51,000 (2018: £21,000)	Materiality has been based on 1.5% of total assets. 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 £136,500 (2018: £100,000) for the Group and at £38,250 (2018: £15,750) for the Parent Company, which represents 75% (2018: 75%) of the above materiality levels.

Whilst materiality for the financial statements as a whole was £182,000, each significant component of the Group was audited to a lower level of materiality ranging from £22,300 to £111,000. 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 £3,880 (2018: £6,650). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

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 £4,000. 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, Europa Oil & Gas Limited, Europa Oil & Gas (Ireland West) Limited, Europa Oil & Gas (Ireland East) Limited and Europa Oil & Gas (Inishkea) Limited, 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, 98% of total assets and 91% of loss before tax were subject to audit.

The remaining four components of the Group were considered non-significant based on their relative size and risk. 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.

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 Statement of Directors' Responsibilities 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jack Draycott (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
9 October 2019

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (FOR THE YEAR ENDED 31 JULY)

	Note	2019 £000	2018 £000
Revenue	2	**1,713**	1,634
Cost of sales	*2*	***(1,682)***	*(1,365)*
Impairment of producing fields	*12*	***—***	*(142)*
Exploration write-back/(write-off)	*11*	***270***	*(1,289)*
Total cost of sales		**(1,412)**	(2,796)
Gross profit/(loss)		**301**	(1,162)
Administrative expenses		**(811)**	(967)
Finance income	6	**43**	10
Finance expense	7	**(187)**	(171)
Loss before taxation	3	**(654)**	(2,290)
Taxation charge	8	**—**	(341)
Loss for the year		**(654)**	(2,631)
Other comprehensive income			
Items which will not be reclassified to profit/(loss)			
Loss on investment revaluation	9	**(59)**	—
Total other comprehensive loss		**(59)**	—
Total comprehensive loss for the year attributable to the equity shareholders of the parent		**(713)**	(2,631)

	Note	Pence per share	Pence per share
Earnings per share (EPS) attributable to the equity shareholders of the parent			
Basic and diluted EPS	10	**(0.17)p**	(0.87)p

The accompanying notes form part of these financial statements.

	Note	2019 £000	2018 £000
Assets			
Non-current assets			
Intangible assets	11	**7,818**	5,959
Property, plant and equipment	12	**575**	668
Total non-current assets		**8,393**	6,627
Current assets			
Investments	13	**241**	—
Inventories	14	**19**	20
Trade and other receivables	15	**315**	471
Restricted cash	16	**251**	—
Cash and cash equivalents		**2,905**	1,771
		3,731	2,262
Total assets		**12,124**	8,889
Liabilities			
Current liabilities			
Trade and other payables	17	**(1,086)**	(1,299)
Total current liabilities		**(1,086)**	(1,299)
Non-current liabilities			
Long-term provisions	19	**(2,917)**	(2,735)
Total non-current liabilities		**(2,917)**	(2,735)
Total liabilities		**(4,003)**	(4,034)
Net assets		**8,121**	4,855
Capital and reserves attributable to equity holders of the parent			
Share capital	20	**4,447**	3,014
Share premium	20	**21,010**	18,481
Merger reserve	20	**2,868**	2,868
Retained deficit		**(20,204)**	(19,508)
Total equity		**8,121**	4,855

These financial statements were approved by the Board of Directors and authorised for issue on 9 October 2019 and signed on its behalf by:

Phil 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 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 payments (note 21)	—	—	—	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**
Balance at 1 August 2018	3,014	18,481	2,868	(19,508)	4,855
Comprehensive loss for the year					
Loss for the year attributable to the equity shareholders of the parent	—	—	—	(654)	(654)
Other comprehensive loss attributable to the equity shareholders of the parent	—	—	—	(59)	(59)
Total comprehensive loss for the year	**—**	**—**	**—**	**(713)**	**(713)**
Contributions by and distributions to owners					
Issue of share capital	1,433	2,546	—	—	3,979
Issue of share options (note 21)	—	(17)	—	17	—
Share-based payments (note 21)	—	—	—	—	—
Total contributions by and distributions to owners	**1,433**	**2,529**	**—**	**17**	**3,979**
Balance at 31 July 2019	**4,447**	**21,010**	**2,868**	**(20,204)**	**8,121**

The accompanying notes form part of these financial statements.

	Note	2019 £000	2018 £000
Assets			
Non-current assets			
Intangible assets	11	**302**	198
Property, plant and equipment	12	**1**	1
Investments	13	**2,341**	2,341
Amounts due from Group companies	25	**1,038**	2,139
Total non-current assets		**3,682**	4,679
Current assets			
Other receivables	15	**79**	83
Cash and cash equivalents		**2,553**	806
Total current assets		**2,632**	889
Total assets		**6,314**	5,568
Liabilities			
Current liabilities			
Trade and other payables	17	**(660)**	(688)
Total current liabilities		**(660)**	(688)
Total non-current liabilities		**—**	—
Total liabilities		**(660)**	(688)
Net assets		**5,654**	4,880
Capital and reserves attributable to equity holders of the parent			
Share capital	20	**4,447**	3,014
Share premium	20	**21,010**	18,481
Merger reserve	20	**2,868**	2,868
Retained deficit		**(22,671)**	(19,483)
Total equity		**5,654**	4,880

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 £1,772,000 (2018: loss of £1,585,000).

These financial statements were approved by the Board of Directors and authorised for issue on 9 October 2019 and signed on its behalf by:

Phil 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 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 payments (note 21)	—	—	—	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**
Balance at 1 August 2018 originally stated	3,014	18,481	2,868	(19,483)	4,880
Change in accounting policy IFRS 9	—	—	—	(1,433)	(1,433)
Balance at 1 August restated	3,014	18,481	2,868	(20,916)	3,447
Comprehensive loss for the year					
Loss for the year attributable to the equity shareholders of the parent	—	—	—	(1,772)	(1,772)
Total comprehensive loss for the year	**—**	**—**	**—**	**(1,772)**	**(1,772)**
Contributions by and distributions to owners					
Issue of share capital	1,433	2,546	—	—	3,979
Issue of share options (note 21)	—	(17)	—	17	—
Share-based payments (note 21)	—	—	—	—	—
Total contributions by and distributions to owners	**1,433**	**2,529**	**—**	**17**	**3,979**
Balance at 31 July 2019	**4,447**	**21,010**	**2,868**	**(22,671)**	**5,654**

The accompanying notes form part of these financial statements.

	Note	2019 £000	2018 £000
Cash flows used in operating activities			
Loss after tax from continuing operations		**(654)**	(2,631)
Adjustments for:			
Share-based payments	21	**—**	11
Depreciation	12	**94**	72
Impairment of producing field	12	**—**	142
Exploration (write back)/write-off	11	**(270)**	1,289
Finance income	6	**(43)**	(10)
Finance expense	7	**187**	171
Taxation charge	8	**—**	341
Decrease in trade and other receivables		**7**	69
Decrease/(increase) in inventories		**1**	(6)
Increase in trade and other payables		**17**	73
Net cash used in operations		**(661)**	(479)
Income taxes paid		**—**	—
Net cash used in operating activities		**(661)**	(479)
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(1)**	—
Purchase of intangible assets		**(1,973)**	(1,336)
Cash guarantee re Morocco	16	**(251)**	—
Sale of part interest in licence – associated costs		**(8)**	—
Interest received		**16**	10
Net cash used in investing activities		**(2,217)**	(1,326)
Cash flows from/(used in) financing activities			
Gross proceeds from issue of share capital	20	**4,299**	—
Costs incurred on issue of share capital		**(320)**	—
Decrease in payables relating to share capital issue costs		**—**	(16)
Finance costs		**(5)**	(3)
Net cash from/(used in) financing activities		**3,974**	(19)
Net increase/(decrease) in cash and cash equivalents		**1,096**	(1,824)
Exchange gain on cash and cash equivalents		**38**	4
Cash and cash equivalents at beginning of year		**1,771**	3,591
Cash and cash equivalents at end of year		**2,905**	1,771

The accompanying notes form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS (FOR THE YEAR ENDED 31 JULY)

	Note	2019 £000	2018 £000
Cash flows used in operating activities			
Loss after tax from continuing operations		**(1,772)**	(1,585)
Adjustments for:			
Share-based payments	21	**—**	11
Depreciation	12	**1**	2
Exploration write off	11	**—**	97
Movement in intercompany loan provision	22	**2,164**	1,791
Finance income		**(638)**	(532)
Finance expense		**2**	4
Decrease in trade and other receivables		**4**	73
Increase in trade and other payables		**33**	59
Net cash used in operating activities		**(206)**	(80)
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(1)**	—
Purchase of intangible assets		**(200)**	(372)
Movement on loans to Group companies		**(1,845)**	(1,593)
Interest received		**8**	4
Net cash used in investing activities		**(2,038)**	(1,961)
Cash flows from/(used in) financing activities			
Gross proceeds from issue of share capital	20	**4,299**	—
Costs incurred on issue of share capital	20	**(320)**	—
Decrease in payables relating to issue of share capital		**—**	(16)
Finance costs		**(2)**	—
Net cash from/(used in) financing activities		**3,977**	(16)
Net increase/(decrease) in cash and cash equivalents		**1,733**	(2,057)
Exchange gain on cash and cash equivalents		**14**	—
Cash and cash equivalents at beginning of year		**806**	2,863
Cash and cash equivalents at end of year		**2,553**	806

The accompanying notes form part of these 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 2019.

Going concern

The Directors have prepared a cash flow forecast for the period ending 31 December 2020, which considers the continuing and forecast 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 forecasts are achievable and accordingly the Group will be able to continue as a going concern and meet its obligations as and when they fall due. The critical assumption in reaching that conclusion is that the Wressle planning appeal scheduled for 5 November 2019 has a positive outcome and production commences at the forecasted rate in 2020. In the absence of incremental production from Wressle in 2020 then additional funding by the issuance of shares or sale of assets would be required. If additional funding was not available there is a risk that commitments could not be fulfilled, and assets would be relinquished.

The ability of the Group to continue as a going concern is dependent on achieving the matters set out above. These conditions indicate a material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Accounting standards adopted in the period

IFRS 15 and IFRS 9 have come into effect in the period. IFRS 15 has no material impact on the Group's revenue recognition (see below). IFRS 9 has resulted in the write down of a portion of the Group's intercompany loans (detailed in notes 22 and 25).

Accounting standards to be adopted in future periods

Adoption of IFRS 16 will result in the Group recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The Board has decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on balance sheet as at 1 August 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date.

Instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets.

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.

1. Accounting policies (continued)

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 5) 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

The Group has adopted IFRS 15 from 1 August 2018. The standard provides a single comprehensive model for revenue recognition. The Group has elected to apply the modified retrospective method. The core principle of the standard is that an entity shall recognise revenue when control passes on the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Contracts with customers are presented in an entity's balance sheet as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. The Group's accounting policy under IFRS 15 is that revenue is recognised when the Group satisfies a performance obligation by transferring oil to a customer. The title to oil and gas typically transfers to a customer at the same time as the customer takes physical possession of the oil or gas. Typically, at this point in time, the performance obligations of the Group are fully satisfied. The accounting for revenue under IFRS 15 does not, therefore, represent a substantive change from the Group's previous accounting.

Revenue is measured based on the consideration to which the Group expects to be entitled under the terms of a contract with a customer. The consideration is determined by the quantity and price of oil and gas delivered to the customer at the end of each month.

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. If licences are relinquished, or assets are not deemed technically feasible or commercially viable, accumulated costs are written off to cost of sales.

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.

1. Accounting policies (continued)

Non-current assets (continued)

Impairment tests

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units) as disclosed in notes 11 and 12. As a result, some assets are tested individually for impairment and some are tested at cash generating unit level.

Impairment tests are performed when indicators as described in IFRS 6 are identified. In addition, indicators such as a lack of funding or farmout options for a licence which is approaching termination or the implied value of a farmout transaction are considered as indicators of impairment.

An impairment loss is recognised and charged to cost of sales 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.

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 12) of an amount equivalent to the provision is also created. The amount recognised is the estimated cost of decommissioning, discounted to its net present value and is reassessed each year in accordance with local conditions and requirements. For producing wells, the asset is subsequently depreciated as part of the capital costs of production facilities within tangible non-current assets, on a unit of production basis. Any decommissioning obligation in respect of a pre-production asset is carried forward as part of its cost and tested annually for impairment in accordance with the above policy.

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

1. Accounting policies (continued)

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.

1. Accounting policies (continued)

IFRS 9

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from 1 August 2018 resulted in changes in accounting policies but there were no adjustments to the amounts recognised in the financial statements. The Group has elected to apply the modified retrospective method.

The table below shows the new classification of financial assets on adoption of IFRS 9 compared to IAS 39.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Change in carrying amount
Trade and other receivables	Loans and receivables	Amortised cost	No impact
Cash and cash equivalents	Loans and receivables	Amortised cost	No impact
Restricted cash	Loans and receivables	Amortised cost	No impact

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ('ECL') model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

For trade receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. The Group's trade receivables are generally settled on a short time frame without material credit risk concerns at the time of transition, so this change in policy had no impact on the amounts recognised in the financial statements.

Management assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. This had the effect of reclassifying the loans to subsidiary undertakings from loans and receivables to financial assets at amortised cost but had no impact on the measurement of the loans or on equity.

Loans to subsidiary undertakings are subject to IFRS 9's new expected credit loss model. Lifetime ECLs are determined using all relevant, reasonable and supportable historical, current and forward-looking information that provides evidence about the risk that the subsidiaries will default on the loan and the amount of losses that would arise as a result of that default. Success rates of the projects indicated that 33% of each loan will be recovered. ECLs of 67% on the loans made to subsidiaries have been recognised in the current period (note 22).

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The below policy has been updated for the year to 31 July 2019 in line with the adoption of IFRS 9. See above for further details.

Financial assets

Financial assets are classified as either financial assets at amortised cost, at fair value through other comprehensive income ('FVOCI') or at fair value through profit or loss ('FVPL') depending upon the business model for managing the financial assets and the nature of the contractual cash flow characteristics of the financial asset.

A loss allowance for expected credit losses is determined for all financial assets, other than those at FVPL, at the end of each reporting period. The Group applies a simplified approach to measure the credit loss allowance for trade receivables using the lifetime expected credit loss provision. The lifetime expected credit loss is evaluated for each trade receivable taking into account payment history, payments made subsequent to year end and prior to reporting, past default experience and the impact of any other relevant and current observable data. The Group applies a general approach on all other receivables classified as financial assets. The general approach recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or have expired.

1. Accounting policies (continued)

Fair value through other comprehensive income

The Group has a number of strategic investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the Group has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investment's carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

Amortised cost

This category is the most relevant to the Company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents are carried at cost and include all highly liquid investments with a maturity of three months or less.

Restricted cash are those amounts held by third parties on behalf of the Group and are not available for the Group's use; these are accounted for separately from cash and cash equivalents.

Financial liabilities

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics. All purchases of financial liabilities are recorded on trade date, being the date on which the Group becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Group's financial liabilities approximate to their fair values. The Group's financial liabilities consist of financial liabilities measured at amortised cost and financial liabilities at fair value through profit or loss.

Trade and other payables

Trade and other payables are initially recorded at fair value and subsequently carried at amortised cost.

Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the statement of comprehensive income.

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.

1. Accounting policies (continued)

Share-based payments

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

- Going concern – the critical assumption is that the Wressle planning appeal scheduled for 5 November 2019 has a positive outcome and production commences at the forecasted rate in 2020. See note 1 Going concern disclosures for further information
- Carrying value of intangible assets (note 11) – carrying values are justified with reference to indicators of impairment as set out in IFRS 6. Based on judgements at 31 July 2019, no impairment was recognised (2018: the investment in securing planning permission to drill the Holmwood well from the Bury Hill Wood site was written off). (Please see pages 10, 11 and 12 respectively for the conclusions reached as to why no impairment was recognised regarding the renewal date of the FEL 3/13 licence, government announcements of the future of Irish offshore oil exploration and PEDL180 & 182 (Wressle))
- Carrying value of property, plant and equipment (note 12) – carrying values are justified by reference to future estimates of cash flows, discounted at appropriate rates
- Deferred taxation (note 18) – assumptions regarding the future profitability of the Group and whether the deferred tax assets will be recovered
- Decommissioning provision (note 19) – inflation and discount rate estimates (2% and 10% respectively) are used in calculating the provision, along with third party estimates of remediation costs

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 2019

	UK £000	Ireland £000	New ventures £000	Total £000
Revenue	1,713	—	—	1,713
Cost of sales	*(1,682)*	—	—	*(1,682)*
Impairment of producing fields	—	—	—	—
Exploration write-back/(write-off)	*270*	—	—	*270*
Cost of sales	(1,412)	—	—	(1,412)
Gross profit	**301**	**—**	**—**	**301**
Administrative expenses	(653)	—	(158)	(811)
Finance income	43	—	—	43
Finance costs	(187)	—	—	(187)
Loss before tax	**(496)**	**—**	**(158)**	**(654)**
Taxation	—	—	—	—
Loss for the year	**(496)**	**—**	**(158)**	**(654)**

Segmental assets and liabilities as at 31 July 2019

	UK £000	Ireland £000	New Ventures £000	Total £000
Non-current assets	3,661	4,732	—	8,393
Current assets	3,718	13	—	3,731
Total assets	**7,379**	**4,745**	**—**	**12,124**
Non-current liabilities	(2,917)	—	—	(2,917)
Current liabilities	(373)	(709)	(4)	(1,086)
Total liabilities	**(3,290)**	**(709)**	**(4)**	**(4,003)**
Other segment items				
Capital expenditure	164	1,809	—	1,973
Depreciation	94	—	—	94
Share-based payments	—	—	—	—

2. Operating segment analysis (continued)

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 loss	**(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

100% of the total revenue (2018: 100%) relates to UK based customers. Of this figure, one single customer (2018: one) commands more than 99% of the total. UK revenue by site was as follows: West Firsby £617,000 (2018: £643,000); Crosby Warren £489,000 (2018: £397,000); and Whisby £607,000 (2018: £594,000).

3. Loss before taxation

Loss before taxation is stated after charging:

	Note	**2019 £000**	2018 £000
Depreciation on property, plant & equipment	12	**94**	72
Staff costs including Directors	5	**991**	907
Diesel		**123**	88
Business rates		**60**	65
Site safety and security		**132**	50
Impairment of producing fields	12	**—**	142
Exploration (write-back)/write-off	11	**(270)**	1,289
Fees payable to the auditor for the audit		**47**	51
Operating leases – land and buildings		**96**	95
Amount of inventory recognised as an expense		**2**	—
Foreign exchange loss		**—**	3

4. Directors' emoluments

Directors' salaries and fees – Company and Group

	2019 £000	2018 £000
CW Ahlefeldt-Laurvig	**25**	23
C Bousfield (resigned 25 January 2018)	**—**	17
RJHM Corrie	**25**	23
P Greenhalgh	**139**	141
HGD Mackay	**185**	169
BJ O'Cathain (appointed 25 January 2018)	**25**	13
SG Oddie (appointed 25 January 2018)	**40**	20
	439	406

Directors' pensions		
P Greenhalgh	**20**	21
HGD Mackay	**19**	17
	39	38

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

Directors' share-based payments

	2019 £000	2018 £000
BJ O'Cathain (appointed 25 January 2018)	**—**	5.5
SG Oddie (appointed 25 January 2018)	**—**	5.5
	—	11

The above represents the accounting charge in respect of share options. No share options were exercised during the period (2018: none).

Directors' total emoluments

	2019 £000	2018 £000
Salaries and fees	**439**	406
Social security costs	**54**	49
Pensions	**39**	38
Share-based payments	**—**	11
	532	504

5. Employee information

Average monthly number of employees including Directors – Group

	2019 Number	2018 Number
Management and technical	**9**	9
Field exploration and production	**4**	4
	13	13

Staff costs – Group

	2019 £000	2018 £000
Wages and salaries (including Directors' emoluments)	**821**	740
Social security	**99**	88
Pensions	**71**	68
Share-based payments (note 21)	**—**	11
	991	907

Average monthly number of employees including Directors – Company

	2019 Number	2018 Number
Management and technical	**9**	9
	9	9

Staff costs – Company

	2019 £000	2018 £000
Wages and salaries (including Directors' emoluments)	**612**	563
Social security	**72**	66
Pensions	**56**	54
Share-based payments (note 21)	**—**	11
	740	694

6. Finance income

	2019 £000	2018 £000
Bank interest received	**16**	10
Other finance income	**27**	—
	43	10

7. Finance expense

	2019 £000	2018 £000
Unwinding of discount on decommissioning provision (note 19)	**182**	165
Other finance expense	**5**	6
	187	171

8. Taxation

	2019 £000	2018 £000
Movement in deferred tax asset (note 18)	**(117)**	668
Movement in deferred tax liability (note 18)	**117**	(327)
Tax charge	**—**	341

UK corporation tax is calculated at 30% (2018: 30%) of the estimated assessable profit for the year being the applicable rate for a ring-fence trade excluding the Supplementary Charge of 10%.

	2019 £000	2018 £000
Loss before tax	**(654)**	(2,290)
Tax reconciliation		
Loss multiplied by the standard rate of corporation tax in the UK including Supplementary Charge of 40% (2018: 40%)	**(261)**	(916)
Expenses not deductible for tax purposes	**35**	111
Deferred tax asset not recognised	**76**	668
Other reconciling items	**150**	478
Total tax credit	**—**	341

9. Other comprehensive income

	2019 £000	2018 £000
Loss on investment revaluation	**(59)**	—

On 8 May 2019, the Group sold its interest in PEDL143 to UK Oil & Gas plc ('UKOG') for 25,951,557 UKOG shares. At the time of the sale the shares were worth 1.156p each, resulting in a total value of £300,000. The investment was revalued at the year end to £241,000 (0.93p per share). An irrevocable election has been made to record gains and losses arising on the shares as Other Comprehensive Income.

10. 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 2019 there were 24,238,458 (2018: 23,414,440) potentially dilutive instruments in issue.

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

	2019 £000	2018 £000
Loss for the year attributable to the equity shareholders of the parent	**(654)**	(2,631)
Weighted average number of shares		
For the purposes of basic and diluted EPS	**393,259,484**	301,388,379

11. Intangible assets

Intangible assets – Group

	2019 £000	2018 £000
At 1 August	**5,959**	5,276
Additions	**1,869**	1,972
Disposal	**(10)**	—
Exploration write-off	**—**	(1,289)
At 31 July	**7,818**	5,959

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

	2019 £000	2018 £000
Ireland FEL 2/13 (Doyle A, B, C, Kilroy, Keane & Kiely)	**1,280**	799
Ireland FEL 3/13 (Beckett, Wilde, Shaw)	**1,255**	1,093
Ireland FEL 1/17 (Edgeworth, Ervine & Egerton)	**636**	453
Ireland LO 16/19	**89**	71
Ireland FEL 4/19 (Inishkea)	**1,259**	454
Ireland LO 16/22	**213**	125
UK PEDL143 (Holmwood)	**—**	10
UK PEDL180 (Wressle)	**2,867**	2,745
UK PEDL181	**101**	95
UK PEDL182 (Broughton North)	**29**	26
UK PEDL299 (Hardstoft)	**12**	12
UK PEDL343 (Cloughton)	**77**	76
Total	**7,818**	5,959
Disposal		
UK PEDL143 (Holmwood)	**10**	—
Exploration write-off		
UK PEDL143 (Holmwood)	**—**	1,145
Ireland LO 16/21	**—**	97
UK Block 41/24	**—**	47
Total	**—**	1,289

Exploration write-back

On 8 May 2019 the Group sold its interest in PEDL143 (Holmwood) to UK Oil & Gas Plc ('UKOG') for 25,951,557 shares in UKOG at 1.156p per share.

	2019 £000	2018 £000
Consideration for the PEDL143 interest	**300**	—
Disposal costs	**(20)**	—
Book value of remaining interest	**(10)**	—
Exploration write-back	**270**	—

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 23.

11. Intangible assets (continued)

Intangible assets – Company

	2019 £000	2018 £000
At 1 August	**198**	577
Additions	**106**	380
Transfer to Group companies	**(2)**	(662)
Exploration write-off	**—**	(97)
At 31 July	**302**	198

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

	2019 £000	2018 £000
Ireland LO 16/19	**89**	71
Ireland FEL 4/19	**—**	2
Ireland LO 16/22	**213**	125
Total	**302**	198

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.

12. Property, plant & equipment

Property, plant & equipment – Group

	Furniture & computers £000	Producing fields £000	Total £000
Cost			
At 1 August 2017	52	10,790	10,842
Additions	—	—	—
At 31 July 2018	52	10,790	10,842
Additions	1	—	1
At 31 July 2019	**53**	**10,790**	**10,843**
Depreciation, depletion and impairment			
At 1 August 2018	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
Charge for year	1	93	94
Impairment in year	—	—	—
At 31 July 2019	**52**	**10,216**	**10,268**
Net book value			
At 31 July 2017	3	879	882
At 31 July 2018	1	667	668
At 31 July 2019	**1**	**574**	**575**

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.

12. Property, plant & equipment (continued)

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 7-12%, Brent crude prices rising from US$70 per barrel in 2020 to US$74 per barrel in 2022 increasing by inflation from 2022 onwards and a pre-tax discount rate of 20%. 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 no impairment in the year (2018: £142,000 impairment relating to the West Firsby site).

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 7-12%)	
12%	312
15%	602
Brent crude price per barrel (current assumption US$70/bbl in 2020 rising to US$74/bbl in 2022)	
$70 flat	168
$65 flat	392
Pre-tax discount rate (current assumption 20%)	
25%	62
30%	29

Property, plant & equipment – Company

	Furniture & computers £000	Total £000
Cost		
At 1 August 2017	52	52
Additions	—	—
At 31 July 2018	52	52
Additions	1	1
At 31 July 2019	**53**	**53**
Depreciation		
At 1 August 2016	49	49
Charge for the year	2	2
At 31 July 2017	51	51
Charge for year	1	1
At 31 July 2019	**52**	**52**
Net book value		
At 31 July 2017	3	3
At 31 July 2018	1	1
At 31 July 2019	**1**	**1**

13. Investments – Group

Investment in shares

	2019 £000	2018 £000
At 1 August	—	—
Current year additions	241	—
At 31 July	241	—

On 8 May 2019, the Group sold its interest in PEDL143 to UK Oil & Gas Plc ('UKOG') for 25,951,557 UKOG shares. At the time of the sale the shares were worth 1.156p each, resulting in a total value of £300,000. The investment was revalued at the year end to the value of £241,000 (0.93p per share) with the loss being recorded in Other Comprehensive Income (note 9). Under the agreement, the Group must hold onto the investment for at least six months from the date of the initial transaction.

Investments – Company

Investment in subsidiaries

	2019 £000	2018 £000
At 1 August	2,341	2,340
Current year additions	—	1
At 31 July	2,341	2,341

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 FEL 4/19 licence
- Europa Oil & Gas (New Ventures) Limited, which will hold the interest in the Moroccan licence

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.

14. Inventories – Group

	2019 £000	2018 £000
Oil in tanks	19	20

15. Trade and other receivables

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Current trade and other receivables				
Trade receivables	173	301	—	—
Other receivables	33	30	9	7
Prepayments	109	140	70	76
	315	471	79	83
Non-current other receivables				
Owed by Group undertakings (note 25)	—	—	1,038	2,139

16. Restricted cash

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Cash guarantee	**251**	—	**—**	—

As part of the final phase of discussions with the National Office of Hydrocarbons and Mines ('ONHYM'), in respect of securing a petroleum agreement in Morocco, a guarantee was set up for £251,000. This is treated as restricted cash.

17. Trade and other payables

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade payables	**823**	1,090	**575**	620
Other payables	**263**	209	**85**	68
	1,086	1,299	**660**	688

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

18. Deferred tax – Group

Recognised deferred tax asset:

	2019 £000	2018 £000
As at 1 August	**—**	341
(Charged)/credited to statement of comprehensive income	**—**	(341)
At 31 July	**—**	—

The Group has a deferred tax liability of £1,098,000 (2018: £1,215,000) arising from accelerated capital allowances and a deferred tax asset of £1,098,000 (2018: £1,215,000) 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 (2018: £nil net asset/liability). 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 £4,116,000 (2018: £4,040,000), which arises in relation to ring-fence UK trading losses of £6.3m (2018: £5.9m), non-ring-fence UK trading losses of £11.7m (2018: £12.0m) and subsidiary losses of £4.7m (2018: subsidiary losses of £2.9m) 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.

19. Provisions – Group

Decommissioning provisions are based on third party estimates of work which will be required and the judgement of Directors. By their nature, the detailed scope of work required and timing are uncertain.

Long-term provisions

	2019 £000	2018 £000
As at 1 August	**2,735**	2,570
Charged to statement of comprehensive income (note 7)	**182**	165
At 31 July	**2,917**	2,735

No provisions have been recognised in the Company.

20. Called up share capital

	2019 £000	2018 £000
Allotted, called up and fully paid ordinary shares of 1p		
At 1 August 2018: 301,388,379 shares (1 August 2017: 301,388,379)	**3,014**	3,014
Issued in the year: 143,303,220 shares (2018: nil)	**1,433**	—
At 31 July: 444,691,599 shares (2018: 301,388,379)	**4,447**	3,014

Ordinary shares issued

Date	Type of Issue	Number of shares	Issue price	Raised gross £000	Raised net of costs £000	Nominal value £000
10 December 2018	Placing	133,333,338	3p	4,000	3,692	1,333
10 December 2018	Open offer	9,969,882	3p	299	270	100
	Total	**143,303,220**		**4,299**	**3,962**	**1,433**

The costs of £337,000 incurred on the issue of share capital include £17,000 of non-cash expenses.

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

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.

21. 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 24,238,458 ordinary 1p share options outstanding (2018: 23,414,440).

These are held as follows:

Holder	31 July 2019	31 July 2018
RJHM Corrie	**450,000**	450,000
P Greenhalgh	**4,525,000**	4,525,000
HGD Mackay	**11,700,000**	11,700,000
BJ O'Cathain	**1,200,000**	1,200,000
SG Oddie	**1,200,000**	1,200,000
Employees of the Group	**2,490,000**	2,490,000
Consultants and advisers	**2,673,458**	1,849,440
Total	**24,238,458**	23,414,440

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.

21. Share-based payments (continued)

In the year 2,223,458 options were granted, 1,399,440 expired, none were forfeited, and none were exercised (2018: 2,400,000 granted, 1,750,000 expired, 500,000 forfeited, none exercised).

	2019 Number of options	2019 Average exercise price	2018 Number of options	2018 Average exercise price
Outstanding at the start of the year	**23,414,440**	**9.14p**	23,264,440	11.62p
Granted	**2,223,458**	**3p**	2,400,000	6.5p
Expired	**(1,399,440)**	**6p**	(1,750,000)	20p
Forfeited	**—**	**—**	(500,000)	8.9p
Outstanding at the end of the year	**24,238,458**	**8.76p**	23,414,440	9.14p
Exercisable at the end of the year	**13,368,458**	**9.86p**	12,411,102	10.67p

The 2,223,458 options granted in 2019 are subject to no further vesting conditions and expire on the second anniversary of the grant date. The inputs used to determine their values are detailed in the table:

Grant date	10 December 2018
Number of options	2,223,458
Share price at grant	2.8p
Exercise price	3.0p
Volatility	70%
Dividend yield	nil
Risk free investment rate	0.66%
Option life in years	1.5
Fair value per share	0.79p

The 2,400,000 options granted in 2018 are subject to no further vesting conditions and expire on the 10th anniversary of the grant date. The inputs used to determine their values are detailed in the table:

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

Based on the fair values above, the charge arising from employee share options was £nil (2018: £11,000). The charge relating to non-employee share options was £nil (2018: £nil). The charge allocated direct to equity, relating to the issue of options on the issue of share capital, was £17,000 (2018: £nil).

Share options outstanding at the end of the period have exercise prices ranging from 3p to 16p and the weighted average remaining contractual life at the end of the period was 5.0 years (2018: 6.0 years).

22. 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 considering the operational, business and economic circumstances at that time.

Financial assets

	Amortised cost 2019 £000	Amortised cost 2018 £000	Fair value through other comprehensive income 2019 £000	Fair value through other comprehensive income 2018 £000
Investments	—	—	241	—
Trade receivables	173	301	—	—
Restricted cash	251	—	—	—
Cash and cash equivalents	2,905	1,771	—	—
Total financial assets	3,329	2,072	241	—

Financial liabilities

	Amortised cost 2019 £000	Amortised cost 2018 £000	Fair value through other comprehensive income 2019 £000	Fair value through other comprehensive income 2018 £000
Trade and other payables	(1,086)	(1,299)	—	—

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 2019 trade receivables were £173,000 representing one month of oil revenue and receivables due from project partners (2018 £301,000 representing one month of oil revenue). The fair value of trade receivables and payables approximates to their carrying value because of their short maturity. Any surplus cash is held on short-term deposit with Royal Bank of Scotland. The maximum credit exposure in the year was £169,000 being the highest month's oil revenue (2018: £161,000). The Company exposure to third party credit risk is negligible. The intercompany balances with its subsidiaries have been provided due to the questionability of their 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 cash flows) of the Group's and Company's financial liabilities.

	Group Trade and other payables		Company Trade and other payables	
At 31 July	2019 £000	2018 £000	2019 £000	2018 £000
6 months or less	1,086	1,299	660	688
Total	1,086	1,299	660	688

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.

22. 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 in net assets. There is no commodity price risk in the Company.

Oil price	Month	2019 Price US$/bbl	2019 LBT £000	2018 Price US$/bbl	2018 LBT £000
Highest	October 2018	**79.7**	**(319)**	75.4	(2,017)
Average		**66.7**	**(654)**	64.6	(2,291)
Lowest	December 2018	**56.4**	**(917)**	50.6	(2,644)

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 in net assets.

US Dollar	Month	2019 Rate US$/£	2019 LBT £000	2018 Rate US$/£	2018 LBT £000
Highest	February 2019	**1.330**	**(710)**	1.422	(2,369)
Average		**1.287**	**(654)**	1.351	(2,287)
Lowest	July 2019	**1.225**	**(568)**	1.289	(2,206)

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	2019 £000	2018 £000	2019 £000	2018 £000
Euro	Cash and cash equivalents	**5**	9	**5**	9
	Trade and other payables	**(500)**	(423)	**(483)**	(423)
US Dollar	Cash and cash equivalents	**229**	715	**7**	—
	Trade and other receivables	**158**	115	**—**	—
Total		**(108)**	416	**(471)**	(414)

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 20) 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.

Intercompany loans

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking Expected Credit Loss ('ECL') approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instrument not held at fair value through profit or loss. The Parent has chosen not to restate comparatives on adoption of IFRS 9 and, therefore, they are not reflected in the restated prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 August 2018) and recognised in the opening equity balances.

The loans to the subsidiaries are classified as repayable on demand. IFRS 9 requires consideration of the expected credit risk associated with the loan. As the subsidiary company does not have any liquid assets to sell to repay the loan, should it be recalled, the conclusion reached was that the loan should be categorised as stage 3.

As part of the assessment of expected credit losses of the intercompany loan receivable, the Directors have considered the published chance of success for Inishkea, and applying the same 33% general wildcat exploration success rate, the loans to other subsidiaries have been 67% provided.

The movement in the provision was as follows:

	Europa Oil & Gas Limited £000	Europa Oil & Gas (Ireland West) Limited £000	Europa Oil & Gas (Ireland East) Limited £000	Europa Oil & Gas (Inishkea) Limited £000	Europa Oil & Gas (New Ventures) Limited £000	Total £000
Provision at 1 August 2017	13,197	—	—	—	38	13,235
Increase in the year	1,791	—	—	—	—	1,791
Provision at 31 July 2018	14,988	—	—	—	38	15,026
Opening adjustments under IFRS 9:	—	392	765	276	—	1,433
Movement in the year	1,529	113	196	148	178	2,164
Provision at 31 July 2019	**16,517**	**505**	**961**	**424**	**216**	**18,623**

23. Capital commitments and guarantees

The outstanding work commitments on the Irish licences total £1.6m and are detailed below:

- FEL 2/13: confirm Kiely East well location, carry out a site survey and prepare an updated play and prospect assessment for the Petroleum Affairs Division of the Department of Communications Climate Action and Environment ('PAD') – total £0.5m
- FEL 3/13: desktop work covering the PSDM velocity model, 2D modelling of the Wilde fan and a carbonate shelf fan system study – total £0.2m
- FEL 1/17: prepare an updated play and prospect assessment for PAD – total £minimal
- FEL 4/19: undertake a site survey at the Inishkea location, complete well design and engineering, investigate commerciality of the 18/20-7 discovery – total £0.7m
- LO 16/19: has no outstanding commitments
- LO 16/22: PSDM reprocessing and interpretation – £0.2m

On the UK licences PEDL299 (Hardstoft) and PEDL343 (Cloughton) there is a commitment to acquire seismic and Europa's share of combined cost is expected to be £1.25m.

The Inezgane Offshore licence awarded post the reporting date carries a commitment to reprocess 1,300km^2 of existing 3D seismic with an estimated cost of £0.5m. 50% of the cost of the work has been guaranteed as referenced in note 16. If the Group was not to complete the work commitment the licence would be relinquished, and the guarantee not released.

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.

24. Operating lease commitments

The office at Porter Street, London is leased by Europa Oil & Gas (Holdings) plc until December 2021 at an annual rental of £55,000 (2018: £55,000).

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 on two months' notice. The annual cost is currently £21,000 (2018: £20,000) increasing 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 (2018: £20,000)

Future minimum lease payments are as follows:

	2019 £000	2018 £000
Less than 1 year	**60**	60
2-5 years	**78**	133
Total	**138**	193

25. Related party transactions

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

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

	2019 £000	2018 £000
Europa Oil & Gas Limited	**1,456**	1,256
Europa Oil & Gas (Ireland West) Limited	**6**	5
Europa Oil & Gas (Ireland East) Limited	**10**	7
Europa Oil & Gas (Inishkea) Limited	**18**	1
Europa Oil & Gas (New Ventures) Limited	**2**	—
Total	**1,492**	1,269

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

	2019 £000	2018 £000
Europa Oil & Gas (Ireland West) Limited	**249**	584
Europa Oil & Gas (Ireland East) Limited	**473**	1,143
Europa Oil & Gas (Inishkea) Limited	**209**	412
Europa Oil & Gas (New Ventures) Limited	**107**	—
Total	**1,038**	2,139

26. Post reporting date events

- Award of Inezgane Offshore licence on Atlantic coast of Morocco
- Irish Government's announced intent to phase out oil exploration licences, but not gas; later confirmed that all existing exploration licences for both oil and gas remain valid

DIRECTORS AND ADVISERS

Company registration number	5217946
Registered office	6 Porter Street London W1U 6DD
Directors	CW Ahlefeldt-Laurvig – Non-Executive Director RJHM Corrie – Senior Non-Executive Director P Greenhalgh – Finance Director HGD Mackay – Chief Executive Officer BJ O'Cathain – Non-Executive Director SG Oddie – Non-Executive Chairman
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 adviser and broker	finnCap Ltd 60 New Broad Street London EC2M 1JJ
Registrar	Computershare Investor Services plc PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH

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