



Delivering a low-carbon future



Europa Oil & Gas (Holdings) plc
Annual Report and Financial
Statements 2023

WHO WE ARE

Who we are: Europa Oil & Gas (Holdings) plc is an AIM-quoted exploration and production company focused on building a balanced portfolio of **producing, appraisal and exploration** assets in the UK and Atlantic Ireland, with minimal emissions, whilst also looking to repurpose legacy UK wells for renewable energy generation.

What we do

1

Development of producing assets

2

Strong prospects for future growth

3

Security of supply for the UK and Ireland

4

Helping reach net zero goals by providing local supply and reducing imports



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To find out the most up-to-date information, visit our website:
www.europaoil.com



Our 2023 performance

Europa Oil & Gas (Holdings) plc, the AIM traded UK and Ireland focused oil and gas exploration, development and production company, announces its final results for the 12-month period ended 31 July 2023.

FINANCIAL PERFORMANCE

Revenue (£m)

£6.7m

| | |
|------|-----|
| 2023 | 6.7 |
| 2022 | 6.6 |

- Revenue remained stable at £6.7 million despite a lower oil price (2022: £6.6 million)

Gross profit (£m)

£3.4m

| | |
|------|-----|
| 2023 | 3.4 |
| 2022 | 2.2 |

- Gross profit increased 53% to £3.4 million (2022: £2.2 million)

Cash balance (£m)

£5.2m

| | |
|------|-----|
| 2023 | 5.2 |
| 2022 | 8.3 |

- Cash balance: £5.2m (2022: £8.3m which includes Serenity restricted cash)

Net cash generated in operating activities (£m)

£2.8m

| | |
|------|-----|
| 2023 | 2.8 |
| 2022 | 2.5 |

- Net cash generated in operating activities £2.8 million (2022: £2.5 million)



OPERATIONAL HIGHLIGHTS

Building a balanced portfolio of exploration and production assets

Onshore UK

8%

Net production increased 8% to 265 barrels of oil per day ("bopd") (2022: 245 bopd) following excellent Wressle performance

- Wressle continued to exceed expectations
 - Gross production averaged 710 bopd throughout the period (2022: 597 bopd), with Europa's net share equating to 213 bopd (2022: 179 bopd)
 - Three microturbines were installed at the Wressle site during January and February 2023, resulting in a 10% increase in oil production
 - New seismic interpretation across the Wressle field has highlighted a potentially significant increase in reserves from the Ashover Grit
 - Gas monetisation project under development
- Total net production of 265 bopd was produced from Europa's UK onshore fields during the year with Wressle contributing roughly 81% of this and the remainder coming from the three older fields.
- Future potential for West Firsby to continue delivering revenue is being assessed and studies are underway to identify activities which could utilise the existing connection to the local power grid so that the site can be repurposed to generate emission-free renewable energy. This is directly in line with the Company's ESG strategy.
- A reassessment of the estimated decommissioning liability for Crosby Warren resulted in a reversal of amounts previously impaired of £177k.

Offshore Ireland

Lower risk/very high reward infrastructure-led exploration in proven gas play in the Slyne Basin

- The seismic reprocessing of the FEL 4/19 data has resulted in a marked improvement in the imaging of both the Inishkea West and Inishkea prospects, with the Inishkea West structure now being mapped as a large 4-way closure, with a prospective resource Pmean of 1,554 BCF.
- The reprocessed seismic has materially improved the subsurface imaging and provided more confidence in the quality of the seal and trap at Inishkea West, which in turn has increased the chance of success of the prospect. In addition, Inishkea West is prognosed as a shallower structure by some 900 metres which means that the reservoir quality will be better than at Inishkea.
- Inishkea West is within easy tie-back range of the Corrib gas field situated some 18 kilometres to the southeast. This proximity to the Corrib infrastructure, the mapped 4-way closure, the large prospective resource and the reduced seal risk mean that the Inishkea West prospect has become the primary exploration target on the FEL 4/19 licence.
- Given the significant improvement seen in the reprocessed data, it is expected that the subsurface imaging can be further enhanced by reprocessing the data at 30Hz.
- The farm-out process has been paused until the further reprocessing has been completed.
- In November 2022, DECC gave consent to extend the first phase of our 100% owned FEL 4/19 licence to 31 January 2024. Given the nature of the reprocessing it has taken longer than expected to complete the work programme and as a result we have since applied for a further extension to allow us to continue with the reprocessing work and then find a suitable partner to drill an exploration well.

Offshore UK

25%

Interest in the Serenity discovery in the North Sea

- Progress continues with the development of the Serenity oil discovery in the Central North Sea alongside our partner i3 Energy plc.
- Despite drilling an appraisal well in October 2022 that failed to encounter hydrocarbons, the partners believe that a one-well development in the eastern area of the field around the discovery well is economically viable. However, we believe that the Serenity field is geologically connected to the neighbouring Tain field and together with i3 Energy we are assessing the feasibility for unitisation of the two fields.
- A number of potential development scenarios are available given local infrastructure, with a future development potentially resulting in approximately 1,000 bopd net to Europa's 25% interest.

UK offshore licensing round

- Europa participated in the UK Government's 33rd offshore oil and gas licensing round.

Board

- Simon Oddie retired as CEO in March 2023, but remains on the board as a non-executive director.
- William Holland was appointed as CEO in March 2023, having been CFO since April 2022.
- William Ahlefeldt-Laurvig retired as non-executive director in April 2023.
- Alastair Stuart was appointed as COO and executive director in April 2023, having been a technical consultant to the Company since 2012.

Post reporting period events

- Operations to install a jet pump for artificial lift on the Wressle-1 well are underway. The original completion was removed from the well and a new completion, including the sub-surface jet pump, has been successfully run in the well as of early October 2023. All that remains is for the required surface pump and associated flowlines and electrics to be installed, which is expected to be completed before the end of October.
- PEDL181 was relinquished during September 2023. The asset was not deemed to be adequately attractive. It had zero carrying value on the balance sheet.
- Applied to DECC to extend licence FEL 4/19 from 31 January 2024 to undertake further reprocessing and secure a farm-in partner.

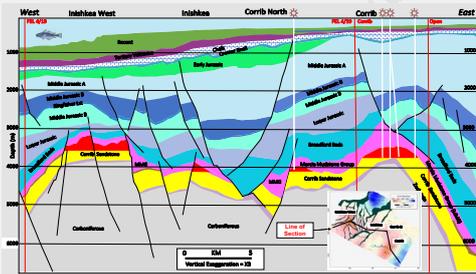
AT A GLANCE

A balanced portfolio of production appraisal and exploration assets

OUR PORTFOLIO

We have a diverse portfolio of hydrocarbon assets at various stages of the development cycle including exploration and production.

Read more on page 20



Inishkea West prospect

Read more on page 21

1.5tcf

Potential gas from Inishkea West prospect

Inishkea

Key

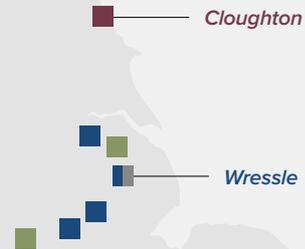
- Production
- Exploration
- Appraisal
- Development

Serenity



Serenity

Read more on page 20



Wressle

Read more on page 09

710 bopd



Cloughton – North Yorkshire

Read more on page 10

Responsible custodians of hydrocarbons

Investing in domestic energy to solve a global problem

Europa's objective is to participate actively in the global energy transition to sustainable renewables by being a preferred partner for domestic supply of hydrocarbons as this transition takes place. By being a good custodian of the hydrocarbon resource and developing assets that are in areas of demand, Europa provides a valuable resource where it is needed and as such helps minimise the total emissions associated with consuming hydrocarbons.

The UK Government recognises that delivering a low-carbon future will be achieved by protecting infrastructure already present in the UK Continental Shelf and onshore through continued activity. Hydrocarbons are considered a key pillar of the UK Government's Energy Security Strategy, with domestic production of oil and gas projects continuing to garner strong support, as demonstrated in the recent development and production consent granted for the Rosebank development.

Equally, Ireland is well positioned to utilise its existing gas infrastructure to minimise the total emissions associated with its energy consumption by targeting domestic exploration opportunities and prioritising these above gas imports.

Our balanced portfolio of onshore and offshore UK and Ireland hydrocarbon assets at various stages of the development cycle, including production and appraisal, ensures that Europa remains well-placed to deliver domestic energy, and we will continue to explore potential development and exploration opportunities to expand our diverse asset portfolio.

Delivering for our stakeholders

Europa is committed to creating stakeholder value by building a balanced portfolio of exploration, appraisal and production assets in the UK and Atlantic Ireland.

With a focus on domestic supply with minimal emissions, we will continue to evaluate and acquire quality assets in the UK and further afield wherever they become available, provided that these can be acquired and developed on acceptable commercial terms and within the transition context.



Shareholders



Government regulators



Joint venture partners



Suppliers and advisers



Local community

Experienced team

Europa is led by a highly experienced board and management team with extensive knowledge of the oil and gas sector and a proven track record of project monetisation, focused on generating substantial shareholder value.

£6.7m

Revenue

(2022: £6.6m)

53%

Increase in gross profit from 2022

£2.8m

Net cash generated by operating activities

(2022: £2.5m)

| Country | Area | Licence | Field/Prospect | Operator | Working interest | Status |
|---------|-------------------|----------------------|------------------------|----------|------------------|-------------|
| UK | East Midlands | DL 003 | West Firsby | Europa | 100% | Production |
| | | DL 001 | Crosby Warren | Europa | 100% | Production |
| | | PL 199/215 | Whisby W4 | BPEL | 65% | Production |
| | | PEDL180 | Wressle | Egdon | 30% | Production |
| | | PEDL182 | Broughton North | Egdon | 30% | Exploration |
| | | PEDL299 | Hardstoft | INEOS | 25% | Exploration |
| | | PEDL343 | Cloughton | Europa | 40% | Exploration |
| | Central North Sea | P.2358, BLOCK 13/23C | Serenity | i3 | 25% | Appraisal |
| Ireland | Slyne Basin | FEL 4/19 | Inishkea, Corrib North | Europa | 100% | Exploration |

Building on our growth platform for a lower-carbon future



Brian O'Cathain, Chairman



The 2022/23 financial year was a productive period for Europa, underpinned by continued operational progress and financial stability.

Although the period was not without its challenges, we managed to deliver on a number of our strategic objectives and further demonstrated our financial resilience by maintaining our balance sheet strength. Despite well-publicised trading headwinds, we once again generated impressive levels of revenue from our onshore UK producing assets, with our total average net production rate for the period at 265 bopd.

Wressle is our leading production asset and currently the second most productive onshore UK oilfield and remains central to our growth strategy. During the year we continued to invest capital in improving the site and the JV is making solid progress with the Field Development Plan. The war between Russia and Ukraine is showing no signs of abating and as a result energy security remains a key priority for countries across the globe. We have continued our positive dialogue with the Irish Government, communicating the potential of our offshore licence FEL 4/19 to help reduce the country's reliance on imported gas and support the energy transition, and we welcomed its decision to extend the first phase of our licence to 31 January 2024. The work programme on FEL 4/19 has taken longer than expected to complete, given the cutting-edge nature of the technology involved in the seismic reprocessing. The results have also highlighted further enhancements that could be undertaken to improve the sub-surface imaging. We have therefore applied for an extension to conduct further reprocessing and continue with the farm-out discussions, which have been put on hold until the reprocessing is complete. We are very encouraged by the results of the reprocessing completed to date, which have reduced the risk associated with an exploration well whilst increasing the size of the primary Inishkea West prospect, and we believe that the licence is now significantly more attractive to a potential farminee than previously.

Elsewhere, we continue to assess development options for the offshore UK Serenity oilfield with our partner i3 Energy. Europa holds a 25% working interest in the Central North Sea licence and given Serenity's proximity to local infrastructure, management believes developing the discovered reserve as a joint development with the adjacent Tain field could be a cost-effective solution.

Looking ahead, we remain focused on building on the progress delivered in the period and continuing to implement our prudent development plan for Wressle to accelerate long-term production rates, access additional reserves within the field and cement its position as a leading UK onshore oilfield.

Onshore UK

Since coming onstream in 2021, Wressle has been our best performing asset, consistently delivering strong production rates and exceeding expectations. During the year, Wressle's gross production rate was 710 bopd, which, taking into account the impact of development operations at the field, represents yet another excellent performance.

The first phase of the gas utilisation project was completed in January 2023, whereby three microturbines were connected to provide site power which resulted in a circa 10% increase in oil production. The next phase involves the connection to a gas pipeline located approximately 600 metres from the Wressle well site, which will be constructed as part of the Wressle development drilling programme scheduled for 2024.

Planning for the Wressle development drilling programme, which will access the Penistone resources and leverage the existing infrastructure, is progressing well and we continue to work in collaboration with our partners to optimise the field's performance and maximise its efficiency, whilst also targeting zero flaring.

Towards the end of the year, we announced that we had assumed operatorship of licence PEDL343, which holds the Cloughton gas discovery. The Cloughton field was discovered in 1986 and encountered gas throughout the Carboniferous section. The well tested at rates of up to 28,000 scf/day on natural flow, however with the right completion and production optimisation techniques the Company believes that a well could flow up to 6 mmscf/day. Following an internal review of the existing sub-surface data the Company concluded that there is a Pmean GIIP of 192 BCF on the licence. We are therefore committed to progressing the asset to appraisal drilling operations and capitalising on this opportunity to potentially monetise the discovery in the long term.

Offshore UK

We farmed into the Serenity field in the Central North Sea just over a year ago and re-entered the UK offshore sphere for the first time since 2017. The appraisal well spudded in Q3 2022 and unfortunately failed to encounter oil-bearing sands. However we are continuing to explore a high-potential opportunity to develop the discovered reserve as a joint development with the adjacent Tain field.

The Serenity and Tain discoveries benefit from having existing infrastructure located in close proximity to our licence. In addition our investment in Serenity has provided a shelter against the Energy Profits Levy for the income generated across our asset base.

The UK Government remains supportive of North Sea exploration and production, as epitomised by its recent commitment to grant hundreds of new offshore oil and gas licences, and this continued investment represents a major boost to our efforts to optimise the development of Serenity with our partner i3 Energy.

Offshore Ireland

During the year, we stepped up our efforts to attract a suitable farm-in partner for the development of FEL 4/19, our 100%-owned offshore Ireland licence. Within FEL 4/19 are the Inishkea and Inishkea West prospects, which represent Europa's key gas exploration interests. These are located nearby the already producing Corrib gas field and are, therefore, low-risk prospects which we are aiming to explore when a farm-in partner has been secured. Inishkea West is our principal prospect which contains an estimated prospective resource of 1.55 TCF of gas and could provide sufficient natural gas to significantly extend the operational life of the Bellanaboy gas processing terminal, potentially making a strong contribution to Irish energy security, and maintaining the 180 skilled jobs at the gas terminal.

We maintain a strong working relationship with the Irish Government, in particular the team at the Department of the Environment, Climate and Communications ("DECC"), and were pleased that the minister agreed to extend our licence to January 2024. We have been working diligently to complete the committed seismic reprocessing work programme which has recently reduced the risks associated with the Inishkea West prospect and indicated that reprocessing at a higher frequency could further improve the sub-surface resolution of the exploration targets. In order to undertake this work and then continue with the farm-out process we have requested an extension to the licence and hope to receive this in the coming months.

Ireland is currently conducting a major review of its energy security, and we firmly believe our FEL 4/19 licence could play a key role in the country's energy strategy going forward, especially given the fact that low carbon-intensive indigenous gas is widely recognised as a key transition fuel on the pathway to net zero.

Board changes

After four years as chief executive officer of Europa, Simon Oddie decided to retire as CEO in March 2023. The board conducted a formal process for a new CEO, advised by a specialist executive search firm, which resulted in the appointment of William Holland. Simon worked tirelessly to build a strong platform from which to grow the Company and, on behalf of the board, I would like to express my sincere thanks for his unwavering commitment to the business during his tenure as CEO. Simon remains on the board as a non-executive director and continues to provide strategic insight to support the development of the business.

Our new CEO William Holland has had a significant impact on the Company since joining us as chief financial officer in 2022, and he has continued to deliver considerable operational, organisational and financial progress in his new role. We remain confident that Will has the skills required to continue to drive the growth of the business as we strive to deliver on our strategic priorities.

In April 2023, Alastair Stuart, who has been consulting as a petroleum engineer for Europa since 2012, joined the Company on a permanent basis as COO and as an executive director. Alastair's upstream experience has been instrumental in the development of Wressle and we will continue to leverage his technical expertise and extensive knowledge of our assets to enhance our overarching business strategy and develop our project portfolio.

Following many years of loyal service and an invaluable contribution to Europa, William Ahlefeldt-Laurvig retired as a director of Europa in April 2023. We wish William well in his future endeavours and thank him for his long-standing dedication to the Company.

Conclusion and outlook

The 2022/23 financial year was another strong period for Europa, during which we delivered considerable development progress at Wressle and maintained our robust financial position. Our strong cash flows and healthy balance sheet will enable us to continue to advance the production enhancement project at Wressle, whilst supporting our plans to progress licence PEDL343 to appraisal drilling.

Alongside our partners, we continue to assess options for developing the discovered reserve at Serenity via the Tain field, which could be as a unified development and potentially highly material to Europa. In addition, we remain confident that we will be granted an extension for FEL 4/19, which will enable us to complete the reprocessing work and find the ideal farm-in partner to drill and develop the Inishkea West prospect. Europa participated in the UK Government's 33rd offshore oil and gas licensing round and we remain well-positioned to explore opportunities on and offshore UK.

The development programme being undertaken at Wressle demonstrates our commitment to generating additional value for shareholders as we focus on delivering on our long-term growth strategy and building an enviable portfolio of assets across production, appraisal and exploration stages of the development cycle.

Our new-look management team has worked tirelessly throughout the year to fulfil our strategic aspirations and I would like to extend my thanks to them for their hard work and perseverance on a diverse range of projects. The entire board looks ahead with confidence to what we expect will be another constructive year for the Company and one where we hope that we will see strong progress at Wressle, Cloughton and FEL 4/19.

Mr Brian O'Cathain

Non-executive Chairman

20 October 2023

Four reasons to invest

Our strategic acquisition focus is on assets that can deliver material shareholder value, contribute to domestic supply and utilise existing infrastructure.

1

Balanced and diverse portfolio of producing, development, appraisal and exploration assets

Europa is well-placed to continue its production, development, appraisal and exploration of existing onshore and offshore UK assets, alongside the Company's project in Ireland. The Company is committed to continuing to build on its asset portfolio by adding further appraisal opportunities that can drive shareholder value in the near term.

2

Pivotal role in the UK and Ireland's energy transition

Hydrocarbons are considered a key pillar of the UK Government's Energy Security Strategy, with domestic production of oil and gas projects continuing to garner strong support.

Significantly, the UK Government is committed to supporting additional investment for the North Sea industry, where Europa has farmed-in to the Serenity block. The UN has forecast a global oil supply gap during transition to net zero and finding additional domestic reserves is essential to reducing UK imports and global emissions, providing greater accountability and transparency of emissions to accelerate net zero.

Governments and some environmental groups alike agree that a key step in achieving net zero goals is to increase domestic supply which minimises the transportation and gas liquification emissions associated with importing hydrocarbons.

3

Robust financial foundations providing platform to explore additional E&P opportunities

With a healthy balance sheet and continuing profits from production which, due to past investment, is currently completely shielded from the Energy Profits Levy (windfall tax), Europa is in a strong financial position to further develop its existing producing assets and to target value enhancing appraisal opportunities contained in our existing asset portfolio.

4

Opportunities to develop new projects

The board and management team at Europa have a history of successfully identifying and monetising new upstream opportunities and, with a robust balance sheet and ongoing cash generative production, the Company is ideally placed to continue to seek and acquire further assets. Our strategic acquisition focus is on assets that can deliver material shareholder value, contribute to domestic supply and utilise existing infrastructure.



Wressle tanks

Wressle

Wressle is our flagship UK onshore asset, situated in North Lincolnshire, England. The field was discovered in 2014 by the Wressle-1 conventional exploration well which intersected three productive reservoir horizons. The oil discovery straddles the PEDL180 and PEDL182 licences, and Europa holds a 30% stake in the prospect alongside Union Jack Oil (40%), and operator Egdon Resources (30%).

Oil flow at Wressle commenced in Q1 2021, and the oilfield has consistently performed above expectations, generating high levels of production and revenues.

Aimed at increasing Wressle's value and complementing the prospect's strong existing output, Europa has developed the Field Development Plan alongside its joint venture partners. The plan was approved by the North Sea Transition Authority ("NSTA") in May 2022, ensuring that the Wressle project moved from an extended well test to production.

Europa is committed to advancing the development plan and consenting process to enable production from the Penistone Flags reservoir where gross mid-case contingent resources of 1.5 million barrels of oil and 2 bcf of gas have been independently reported in 2016 by ERCE. In addition, the Wressle partners are looking to drill a Wressle lookalike prospect on the North Broughton licence adjacent to Wressle.

The continued Wressle development is progressing with provisional targets agreed for the Wressle-2 and Wressle-3 wells, which will be drilled from the existing site. Planning applications and tendering processes are progressing.

Wressle-2 will target the Penistone while also intersecting the Ashover to provide more subsurface data and guide the placement of Wressle-3.

Wressle-3 will target the Ashover, the primary production reservoir of the Wressle-1 well. This reservoir has seen an increase in reserves this year and a second well is required to achieve this additional potential.

Following planning consent for the development at the current site, planning for two additional wells at a new site will commence. These will be targeting the Broughton North area to the northwest of the existing Wressle development. These will target both the Penistone and the Ashover in a separate compartment, separated from the existing field by a fault.

Penistone Flags 2016 ERCE CPR numbers:

1.5m

barrels of oil independently reported

2bcf

of gas independently reported

“

Wressle continues to dominate our total production.

The Cloughton gas field

We have assumed operatorship of licence PEDL343, which holds the Cloughton gas discovery. Located north of Scarborough and within 3km of the local gas grid the licence has transformational potential and the key is to prove commercial flow rates

Cloughton summary

We have assumed operatorship of licence PEDL343, which holds the Cloughton gas discovery. Located north of Scarborough and within 3km of the local gas grid the licence has transformational potential and the key is to prove commercial flow rates. The Cloughton discovery well was drilled by Bow Valley Petroleum in 1986. The well was drilled approximately 6 miles to the north of the town of Scarborough within the North Yorks National Park, an area that has a long history of oil and gas production. Within the North Yorkshire area, production is mostly from the Permian Carbonates and also includes the Carboniferous sandstones, most significantly at Kirby Misperton, where the KM-1 well has produced 5.8 BCF of gas from Namurian aged sands (same age as Cloughton sands). The Cloughton well encountered an extensive hydrocarbon column within the Carboniferous section, and gas was also discovered within the overlying Zechstein section. Four zones were tested, three of which were in the sandstones over the Carboniferous section and the other within the Permian dolomitic limestone. Both the Carboniferous and Zechstein sections are effective gas reservoirs in the region. The Cloughton-1 well test achieved rates of up to 28,000 scf/day on natural flow. However with the right completion and production optimisation techniques we believed a well could flow at up to 6 mmscf/d. A single well within the Cloughton discovery could be expected to produce more than 5 BCF of gas over a five-year period.

A cross section through the Cloughton discovery can be seen below on page 11. The figure shows that gas was found throughout the Carboniferous section with the gas column extending to the total depth of the well. Individual sands from N11 (Namurian) to D1 (Dinantian) are all gas charged. The structural trapping mechanism at Cloughton is a simple, four way dip closed anticline. The gas charges to the reservoirs are sourced directly from within the Carboniferous.

A world class seal is provided by the Zechstein evaporites situated directly above the sandstones. The Brotherton limestone was also gas charged in the section. This is an important additional reservoir within the area with gas flowed to surface and production from multiple local wells. The gas flowed from the well is sweet, good quality gas with in excess of 98% methane and ethane content, so surface processing requirements for the produced gas will be minimal.

A core was taken within the Carboniferous sandstones with porosities registered of between 2-9% and permeabilities of between 0.1 and 1mD.

The well was drilled crestally on the Cloughton anticline which is a NNW/SSE trending anticline with significant dip closure in all directions and large areal extent. Around 60m of Carboniferous net sandstone was penetrated with high gas saturations, although more sandstone is present within the section, just not of reservoir quality. This is important in providing an extra reservoir for gas storage and pressure support during production. Given the large hydrocarbon column height (greater than 1000m), large areal closure and net sand present, Europa believes a large volume of gas is in place. Gas in place has been calculated within five reservoir units across the well and preliminary gas in place volumes have been calculated in each sequence.

The Cloughton discovery is larger than several Southern North Sea economic Carboniferous developments such as Copernicus and Humphrey. The current technical work continues and we are looking at a conceptual development plan for the field which we believe will demonstrate the material potential value of the licence. In parallel, with the ongoing subsurface work we are also engaging with the various stakeholders required to obtain the necessary permits and consents needed to drill. Further geological and geophysical work will better define the mapping on of the structure, This will enable a more confident estimate of the gas in place and inform development plan options to monetise the Cloughton discovery.

“

We are very pleased to be assuming the operatorship of what we believe to be a material licence and plan to progress the asset to appraisal drilling operations as quickly as possible.

William Holland
CEO

The volumes in place can be seen below:

| Cloughton | P90 | P50 | Pmean | P10 |
|------------|-----|-----|-------|-----|
| GIIP (BCF) | 118 | 184 | 192 | 274 |

These are summed volumes across the reservoir intervals. It is only statistically correct to sum the Pmean volumes.

| | |
|----------------------|---|
| Licence | PEDL343 |
| Europa interest | 40% |
| Partners | Europa 40% (operator), Egdon 40%, Petrichor 20% |
| Area km ² | 110.1 |
| Basin | Cleveland |
| Play | Carboniferous sandstone |
| Term | Initial |

<3km

from gas distribution network

6mm
scf/

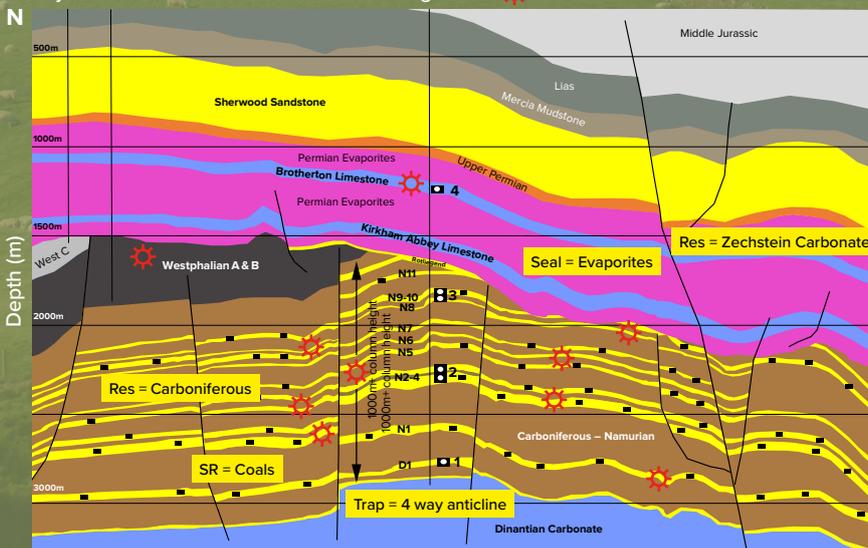
day per well flow potential

192 bcf

GIIP Pmean

Cloughton-1 Line of Section.

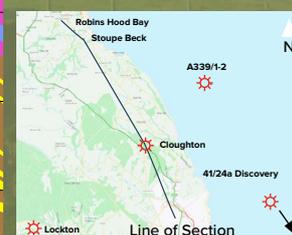
Bay 1 Beck 1 ← 7.9km → Cloughton -1



- S
- 1 – 20000 SCFD
 - 2 – 6000 SCFD
 - 3 – 2000 SCFD
 - 4 – Weak Blow
- Gas Shows & Flow Rates

Play Element

- Seal = Evaporites
- N6 Namurian Sand
- D1 Dinantian Sand



Building a balanced portfolio

Europa is focused on building a balanced portfolio of producing, development, appraisal and exploration assets in the UK and Atlantic Ireland.

We continue to assess significant value-accretive opportunities including late-stage appraisal and development projects all the while ensuring that the Company minimises risk. Europa uses various financial and non-financial performance measures to monitor progress and ensure that strategic objectives are met. The key performance indicators for 2022/23 are set out in this report and comprise daily production, revenue, gross profit and net cash generated by operating activities.

Developing a strategy is a dynamic process which reflects prevailing oil and gas prices. Current oil and gas prices are high by historical standards, but always remain susceptible to sudden and significant downward revision in the short term, whereas most petroleum projects are long term in nature. This situation requires the Europa executive team to constantly evaluate mid- to long-term projects. Small companies in the oil and gas industry are confronting significant strategic challenges both politically and market driven.

Over the last five years the Company has moved away from a predominantly frontier exploration strategy with some local production paying the bills to a lower risk appraisal and development strategy matching the current industry demands and with a shorter time scale from investment to production. However, Europa's asset portfolio still contains some exciting exploration and appraisal opportunities within the portfolio and as such the Company still considers itself very much an "E&P" company.

With gas being a clean transition fuel and consistently commanding high prices over the course of the year, opportunities to explore and develop gas fields remain attractive, especially those located near the market.

This is definitely the case for the FEL 4/19 asset which is located adjacent to Corrib and has multi-TCF potential. The proximity to infrastructure means that the gas is the greenest gas Ireland could consume and can be brought online quickly following successful drilling.

Smaller companies are facing challenging times for expansion. Pervasive inflation means that projects are more expensive and equity markets remain tight as many funds choose not to invest in the petroleum sector. As such we carefully manage our cost base and utilise our existing cash flow. All new projects are assessed by their potential to add value whilst maintaining profitability at a time when regulation, environmentalism and governmental windfall taxes make cash accumulation for capital-intensive projects more challenging. Europa will focus on projects where we can see that we have a competitive advantage while at the same time pursuing value-added diversification to ensure effective risk management.

The Wressle field still has great potential with undeveloped gas and further possibilities for oil which will form the foundation for a substantial business for the immediate future.

Europa is an experienced onshore operator and currently intends to be a non-operator offshore. However, the many disciplines involved in the offshore petroleum industry are available from very competent service companies, which means that opportunities to operate offshore may still be considered.

For small E&P companies, access to finance affects the rate of growth of the company. Therefore, all new opportunities must not only satisfy our own rigorous technical assessment but must also be able to attract the necessary investment finance to appraise and develop the asset.

Assets

We have a diverse portfolio of hydrocarbon assets at various stages of the development cycle including exploration and production.

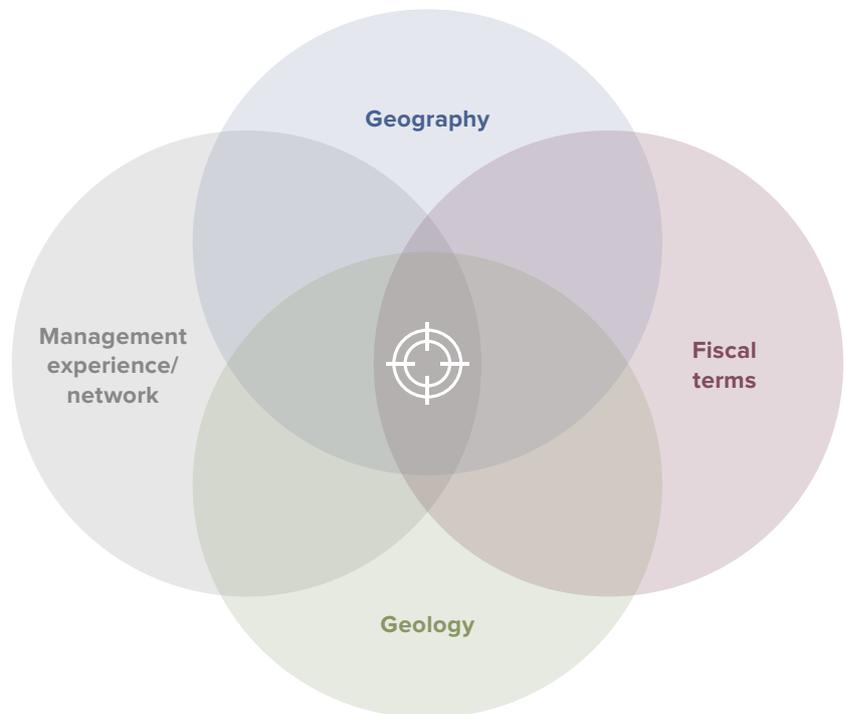
North Sea

The UK Government has pledged to accelerate all sources of domestic energy, including North Sea oil and gas production, and remains committed to supporting additional investment for the North Sea region, where Europa has farmed into the Serenity block.

Europa recognises the myriad of opportunities that exist in the North Sea and further afield and continues to explore potential development and appraisal projects to further diversify its asset base and generate additional shareholder value.

New ventures

- **Value driven**
- **Target the best deals for EOG**
 - Opportunity cost in both staff time (G&A) and EOG financial resources
- **New opportunities measured against:**
 - Strategic fit to EOG portfolio
 - Match to EOG core skillset
 - Materiality – significantly move EOG valuation
 - Risk – acceptable risk/reward profile
- **Proactive approach to new ventures**
 - Leverage EOG management experience
- **Experienced team: across multiple jurisdictions and basins worldwide**



Wressle

Helping reach net zero

Europa's strategy revolves around the three key pillars of ESG: Environment, Social and Governance.

Last year Europa undertook a materiality assessment that helped identify the key material topics relevant to Europa's business. These topics were then aligned with relevant United Nations Sustainable Development Goals (UN SDGs). From this, Europa developed high-level goals which have been built upon this year as Europa further develops its strategy, as well as continues to support the UK's energy transition.

During the course of the year Europa reassessed the materiality matrix to ensure that it still accurately represents our stakeholders and business. It was determined there were currently no changes to our material topics and that the previously conducted materiality matrix was still relevant. The materiality matrix will be periodically reassessed to ensure it remains relevant and reflective of Europa's activities.

E

Environment

We believe in acting as responsible custodians of the physical spaces which we occupy as a company, with the utmost respect for the environment in which we operate.



Responsible support for local energy security

S

Social

Europa commits to being fair and inclusive in all our interactions with our employees and partners, including those communities with whom we interact.



Stakeholder benefit, support and equality

G

Governance

As an AIM-quoted entity Europa follows all required reporting and corporate governance guidelines. To go beyond the minimum requirements, our ESG Committee has oversight on the integration of our ESG strategy with our overall Company development and activities.



Ethical integrity and diligent risk management

Materiality matrix



Responsible custodians of hydrocarbons

Support for UK transition

Europa plays an active role in providing energy security and supporting the UK energy transition. Through our assets we provide a domestic supply of hydrocarbons and are currently investigating the feasibility of renewable energy projects at our West Firsby site.

Europa is also active in supporting the Irish Government's plans of transitioning towards a lower-carbon economy. Domestic gas which could be produced from Europa's FEL 4/19 licence is expected to have a carbon intensity of 2.8 kgCO₂e/boe, considerably less than the intensity of imported gas from the UK which has an average intensity of 36 kgCO₂e/boe¹.

A discovery at FEL 4/19 would extend the life of the Bellanaboy gas terminal and could have the potential to supply up to 75% of Ireland's gas needs.

As Ireland currently imports roughly 80% of its natural gas supply from the UK via the Moffat Interconnector, a domestic supply from Europa's FEL 4/19 licence would have significant impact on the carbon intensity of Ireland's natural gas supply.

Developing licence FEL 4/19 and thereby extending the life of the Bellanaboy gas terminal would also preserve jobs, protecting employment for around 180 people that would otherwise be lost when the terminal shuts down at the end of the Corrib field's life (currently expected to be 2030).

Europa is expecting to lower the emissions of our crude oil refining in the near future with the announcement that the Viking Carbon Capture and Storage ("CCS") project has been awarded Track 2 status by the UK Government, with an expected start date of 2026. Europa exports oil to the Phillips 66 Ltd Humber Refinery which is connected to the Viking CCS project and therefore from 2026 the emissions from Europa's crude oil refining will be captured and securely stored.

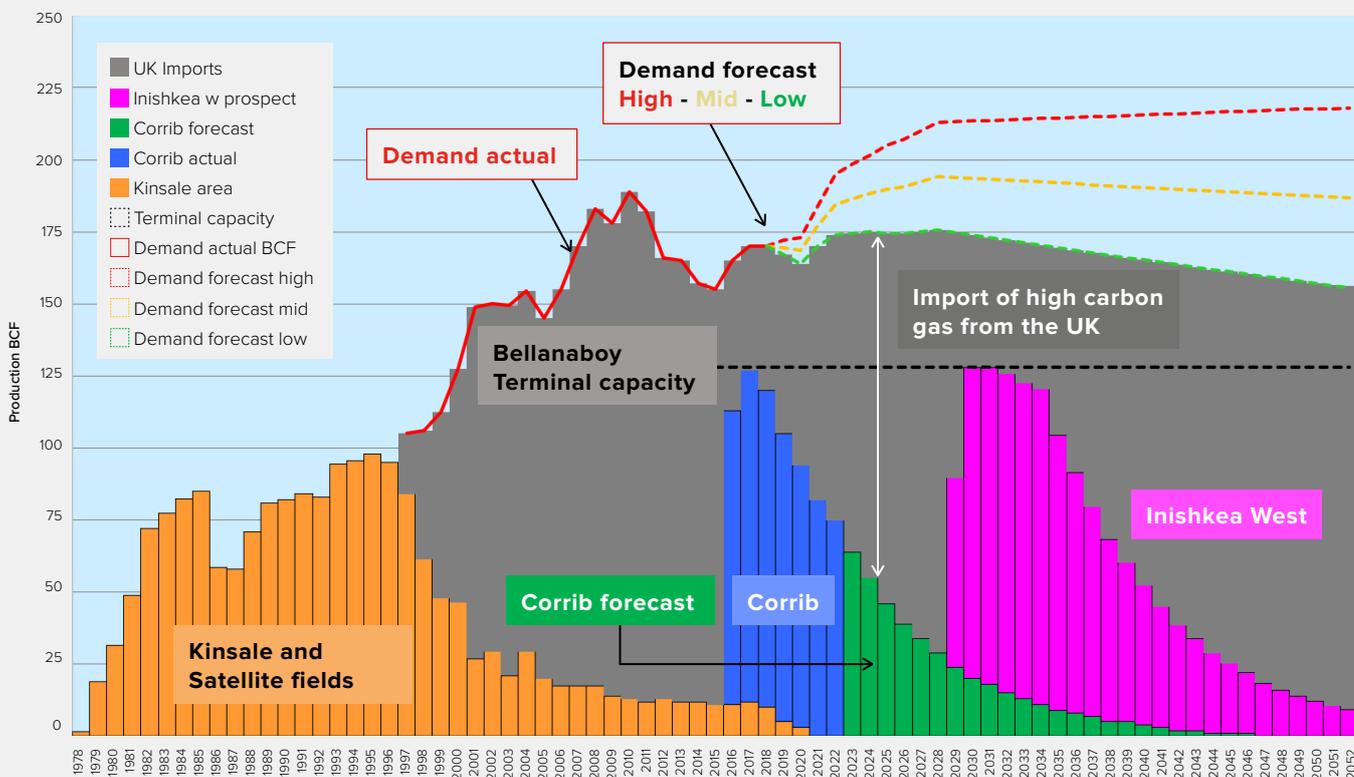
Geothermal:

A geothermal scoping study was undertaken at our West Firsby site to assess the potential of the site for geothermal energy but unfortunately the results indicated that the West Firsby field is not suitable for a geothermal development. Committed to investigating all options, Europa is still exploring opportunities for renewable energy generation at the site with the support of the landowner. Currently, investigations include considering the potential for solar or wind power at the site, with battery storage, which would utilise the existing connection with the local electricity grid.

Zero flaring:

We continue to make steady progress towards our zero flaring goal with power generation installed at Wressle to enable the surface facilities to be run from produced gas, reducing the amount of gas that is flared by roughly 10%. Subject to gaining the necessary regulatory approvals, a 600m pipeline is planned to be installed at the site by the end of 2024 to allow for a connection to the local gas grid, at which point routine flaring at Wressle will be eliminated.

Historical and forecast supply and demand (Source: Petroleum Affairs Division, DECC).



1 – Third party report independently researched and compiled by sustain:able (2023): <https://www.europaoil.com/wp-content/uploads/2023/03/EOG-Irish-Licence-Emissions-Report-070323.pdf>

Community fund:

During 2023, the Wressle partners' community fund supported more than 20 projects, awarding over £60,000 in funding to sports clubs, schools, youth centres and youth groups, events, and theatre groups. Funds included support for sign language training, equipment for an outside gym, and modifications to allotments to make them more accessible for those with mobility issues. Through the continued support of the community fund, Europa contributes to the UN SDGs of Reduced Inequalities and Good Health and Wellbeing.

Employee wellbeing:

To support employees while also reducing emissions, Europa participates in the UK Government's cycle to work scheme. Europa is proud to report that ~50% of our employees commuting to the London office are now cycling to work.

Reporting frameworks:

This year Europa undertook a review of relevant ESG reporting frameworks and standards to determine which would be the best fit. The introduction of the International Financial Reporting Standards (IFRS) 1 and 2 in June 2023 and the predicted release of the Transition Plan Taskforce (TPT) Disclosures in October 2023 are testament to the fact that this area continues to develop and progress. Both the IFRS standards and the TPT framework build upon the Task force on Climate-related Financial Disclosures (TCFD) framework structure and requirements. Therefore, Europa has decided to voluntarily start working towards reporting to the TCFD to put itself in good stead for reporting to the IFRS or TPT if required to do so in the future.

To aid this, a data audit has been carried out of the Company's currently collected data to determine what is already being recorded and what additional data collection processes need to be put in place to allow them to report to the TCFD. Europa has adopted a new data collection approach, set up to identify how and what it is required to report. It is expected that this data collection and the quality of the information will be improved over time, allowing steady progress that will be reflected in Europa's annual reporting. Data collected will be aligned with the Global Reporting Initiative (GRI) Universal and Oil and Gas Sector Standards (2021 version) to enable future reporting in reference to the GRI.

GHG reporting:

Europa has elected to work towards developing a full GHG inventory to allow the Company to identify the biggest sources of emissions and plan any reduction or mitigation projects that can be undertaken. This process started in 2023 with an investigation into how the Company could create a GHG inventory aligned with the GHG Protocol and ISO 14064-1 standard and will be ongoing as Europa works to establish all data collection processes to enable a comprehensive inventory.

What is TCFD?

The TCFD framework is designed to identify climate-related risks and opportunities to aid companies' and investors' understanding of the financial implications of transitioning to a lower-carbon economy and the changes in physical risks associated with climate change. The TCFD disclosures are structured around the four pillars of Governance, Strategy, Risk management, and Metrics and targets with 11 recommended disclosures. Scenario analysis is recommended as part of the TCFD process to identify the range of risks and opportunities a company may face across different climate scenarios.

Core elements of recommended climate-related financial disclosures



Governance

The organisation's governance around climate-related risks and opportunities.

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

Risk management

The process used by the organisation to identify, assess and manage climate-related risks.

Metrics and targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Metrics and targets

To build on the high-level ESG strategy set out in last year’s report, Europa has begun developing performance metrics by which the Company can transparently measure current performance across the material topics, goals and selected UN SDGs.

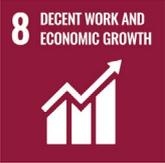
These metrics have been aligned with the three pillars of Environment, Social and Governance to ensure that they span across all Europa’s activities. Setting this up will allow Europa to develop a clearer measure of our current performance and the work required to reach our goals. During 2023/24 the Company will be developing targets in line with our goals and metrics to enable these to be tracked and to improve performance over time.



Performance metrics for each of Europa’s goals

| Environmental | | | | |
|---|---|--|--|---|
| Material issue | UN SDG | Vision | Goals | Performance metrics |
| Climate adaptation, energy transition and emissions |  | Responsible support for local energy security | Provide low emissions intensity gas supply to replace higher emissions intensity imports. Minimise the emissions of assets as far as possible through new technology or policy changes. | <ul style="list-style-type: none"> Energy consumption within the organisation Total flaring emissions |
| |  | | Develop and invest in renewable energy potential at West Firsby site. Provide a local supply of gas to provide energy security and affordable energy. | <ul style="list-style-type: none"> Total GHG emissions intensity |
| Water and waste management |  | | Minimise water use and waste generation. Dispose of all waste and process all water in a responsible manner. | <ul style="list-style-type: none"> Total water consumption Total waste generated |
| Ecological impact |  | | Zero serious environmental incidents. Plan in place for low emissions decommissioning operations. Plan for site restoration and post-closure monitoring or impact of converting to a renewable energy generation site. | <ul style="list-style-type: none"> Number and volume of oil spills Total water discharges |
| |  | Employ strong environmental stewardship and work to preserve and take steps to mitigate any negative effects to surrounding habitats, flora and fauna. | <ul style="list-style-type: none"> Hazardous waste generated and disposed Number and volume of chemical spills or hydrocarbon leaks | |

Social

| Material issue | UN SDG | Vision | Goals | Performance metrics |
|--|--|--|--|--|
| Non-discrimination and equal opportunity |  | Stakeholder benefits, support and equality | Actively work to address any inequalities. | <ul style="list-style-type: none"> Percentage of men and women in workplace and at board level Average hours of training per year per employee |
| Local communities and economic impacts |  | | Healthy workers and communities. | <ul style="list-style-type: none"> Percentage of workforce who are nationals Local procurement expenditure |
| Health and safety and asset integrity |  | | Prioritise safe operations. | <ul style="list-style-type: none"> HSSE training hours recorded by employees and contractors HSSE recorded incidents |

Governance

| Material issue | UN SDG | Vision | Goals | Performance metrics |
|---------------------------------------|--|--|--|---|
| Policy engagement |   | Ethical integrity and diligent risk management | Highest standards of ethics and compliance. | <ul style="list-style-type: none"> Number of confirmed incidents of corruption |
| Anti-corruption and strong governance |  | | <p>Undertake responsible management of risks. Commitment to honesty and transparency.</p> <p>Operate at the highest level of ethical standards and behaviours.</p> | <ul style="list-style-type: none"> Percentage of employees, contractors and board members who have received communication of Europa's Anti-corruption Policy |
| Land and resource rights |   | | Act as an engaged and supportive partner. | <ul style="list-style-type: none"> Number of negative ESG impacts in supply chain and actions taken |

UK production – East Midlands

UK production – East Midlands

Europa produces oil from four UK oilfields: Wressle, West Firsby, Crosby Warren and Whisby-4. Europa holds a 30% working interest in licences PEDL180 and 182 which hold Wressle and Broughton, alongside Egdon Resources (operator, 30%) and Union Jack Oil (40%). Following a major Field Development Plan, Wressle has been producing the majority of our crude since mid-2021.

Wressle continues to dominate our total production, nevertheless our other three fields continue to contribute meaningful volumes of oil, and together generated £1.3 million out of the total revenue for the year of £6.7 million. We continue to evaluate various production optimisation strategies whilst at the same time examining options to repurpose the sites to generate renewable energy.

UK development – Wressle

Wressle continued to outperform production expectations during the year, averaging 710 bopd gross (213 bopd net to Europa). Only in late June 2023 did we finally see evidence of water cut emerging, and this was at extremely low rates. The appearance of water was expected at an earlier stage in the field's life and hence this is extremely encouraging for the ultimate recoverable reserves that are delivered by the field.

As announced on 17 January 2023 a new CPR for Wressle has been commissioned and the work, which is being undertaken by ERCE, continues. With the advent of water production ERCE is revisiting the dynamic reservoir model to ensure that the second Ashover Grit development well is located in the ideal position to maximise recoverable volumes. The ERCE work on the development of the Penistone Flags' resources is nearing completion and results of both the Ashover Grit and Penistone development will be announced in due course when available.

The first phase of the gas utilisation project was completed in January 2023, whereby three microturbines were connected to provide site power which has resulted in a c. 10% increase in oil production. The second stage is installing gas processing facilities at Wressle with a gas pipeline connecting to the local grid, which will be developed concurrently with the Penistone drilling programme.

Operations to install artificial lift on the Wressle-1 well commenced in September 2023 and will be completed in October. The operations began with a slickline programme where downhole pressure and temperature gradients were acquired. Slickline operations have now been completed and the ongoing work programme includes recompleting the well for installation of a downhole jet pump and installing the associated surface equipment. As of early October the new completion and sub-surface jet pump had been successfully installed and the remaining surface pump system flowlines and associated instrumentation were in the process of being completed.

UK appraisal – Cloughton and Serenity

In July 2023 Europa assumed operatorship for PEDL 343 (Cloughton) where it holds a 40% working interest. Cloughton was discovered in 1986 where the discovery well encountered gas throughout the Carboniferous section. The well tested at gas rates of up to 28,000 scf/day on natural flow, however with the right completion and production optimisation techniques, the Company believes that a well could flow at rates of up to 6 mmscf/day. The gas is good quality sweet gas with over 98% methane and ethane content. The discovery well encountered 60 metres of Carboniferous net sandstone reservoir with high gas saturations. Europa has subsequently completed an internal review of the gross Cloughton gas in place volumes which has resulted in a Pmean Gas Initially In Place ("GIIP") estimate of 192 bcf demonstrating the material volume of gas in place that has already been discovered.

Cloughton is a gas appraisal opportunity with the critical challenge being to obtain commercial flowrates from future production testing operations. A location for an appraisal well pad has been identified and following successful testing operations, the field would be developed by connection to the nearby gas grid. Such developments remain subject to securing the necessary permits and regulatory approvals.

Exploration – offshore Ireland

Domestically produced gas generates employment, local and national tax revenues and has a lower carbon footprint than imported gas. As such development of Cloughton is fully aligned with the UK Government's British Energy Security Strategy and Net Zero 2050 goals.

Europa holds a 25% working interest in the Serenity oil discovery, a development opportunity that we farmed into in April 2022. Alongside Wressle, Serenity is a potential engine of growth for Europa and demonstrates the Company's commitment to developing a balanced portfolio of assets.

The Serenity appraisal well, located in the Central North Sea, spudded in September 2022. The well objective was to prove additional volumes of hydrocarbons beyond those encountered in the original Serenity discovery well in 2019. Unfortunately, the appraisal well encountered water-wet sands but has improved our understanding of the field's geology. We are now working with the operator i3 Energy to optimise the development of the field, which could involve a tie-back to existing infrastructure. The Serenity field will be developed in line with the NSTA's stated strategy to ensure that the maximum volumes of economic oil are recovered from the North Sea in a manner that is compliant with the Government's aspirations of meeting its net zero targets.

Located offshore Ireland on the west coast is Europa's FEL 4/19 licence. A strategic asset for Europa, FEL 4/19 contains the large, low risk Inishkea West gas prospect which has the potential to facilitate the energy transition and mitigate Ireland's dependence on energy imports, particularly vital amid the current energy security crisis facing Europe. Inishkea West is estimated to contain 1.55tcf of recoverable gas.

FEL 4/19 is situated adjacent to the Corrib gas field, which was discovered in 1996 and has been producing one of the lowest carbon-intensity gases in Europe since 2015. The exploration licence's position within the proven Slyne Basin gas play, together with the increasing need for countries to secure domestic energy resources against the current macroeconomic backdrop, underpin our confidence in securing a partner to farm into FEL 4/19 in the medium to long term. A farm-out process has begun with the aim of bringing in a partner to assist with the drilling of the prospect.

Ireland will continue to require gas in the long term, with the nation having recently agreed plans to build new gas-powered electricity plants, and therefore it makes sense to keep this potentially valuable source of indigenous gas off the west coast available.

Assuming the successful future drilling of the Inishkea West prospect and its subsequent development, Europa has the potential to provide Ireland with a secure supply of natural gas, leveraging existing infrastructure from Corrib to increase the efficiency of operations, minimise costs and reduce transportation emissions.

The FEL 4/19 licence extension was granted by the Irish Government, extending the initial phase to January 2024. We have since applied for a further extension to allow us to continue with the cutting-edge reprocessing work that we are currently undertaking and secure a farm-in partner to enable the Inishkea West prospect to be drilled.

Given the security of supply issues that Ireland faces, the board believes that it is in the interests of Ireland that this prospect be drilled as soon as reasonably possible, especially as local existing infrastructure would make any development a low carbon intensity project and bring the gas online quickly.



We delivered revenue from operating activities of £6.7 million and generated net cash from operating activities of £2.8 million, demonstrating the financial resilience of the Company and maintaining our strong track record of positive cash generation.

William Holland, CEO



Wressle

A word from our CEO



William Holland, CEO



Europa made significant progress, both operationally and financially, during the 2022/23 financial year, including continued development work at our flagship asset, the Wressle oilfield, which consistently performs above initial expectations.

As planned, we have initiated multiple projects designed to increase oil production and gas monetisation from the field, and in the first half of the year, we executed the initial phase of the gas utilisation project, which has led to a c. 10% increase in oil production. Even though Wressle is already exceeding expectations, having produced 710 bopd during the financial year, we remain focused on realising the full potential of the field, with the completion of these additional projects and drilling the Penistone horizon being one of Europa's priority medium-to-long-term projects.

In the year, we delivered revenue from operating activities of £6.7 million and generated net cash from operating activities of £2.8 million, demonstrating the financial resilience of the Company and maintaining our strong track record of positive cash generation.

It has been a year of considerable administrative transition for Europa: we set up a new London office, strengthened our in-house technical and managerial capabilities with new staff members and expanded our business development activity levels; all with the purpose of delivering our strategy faster and more efficiently.

We have impressed on both the Irish Government and Europa stakeholders the significant role our offshore Ireland FEL 4/19 licence could play in minimising Ireland's dependence on costly and carbon-intensive gas imports and enhancing the country's strategic energy security. FEL 4/19 contains an estimated prospective resource of 1.55 TCF of gas, and in June 2023, I hand-delivered a document detailing our licence's potential to senior Irish Government officials during an exclusive energy summit hosted by the Taoiseach Leo Varadkar.

We have continued to be proactive in both executing advanced technical reprocessing work and seeking a suitable farm-in partner for our FEL 4/19 licence and remain committed to continuing our efforts to work constructively with the Department of the Environment, Climate and Communications to progress FEL 4/19 to drilling. In October 2023 we announced the results of our seismic reprocessing which has materially improved the subsurface imaging and provided more confidence in the quality of the seal and trap at Inishkea West, which in turn has increased the chance of success of the prospect whilst also increasing the size of the prospect to 1.55 TCF. In addition, Inishkea West is prognosed as a shallower structure by some 900 metres which means that the reservoir quality will be better than at Inishkea and as a result this has become our primary prospect on the licence.

Progress continues with the development of the Serenity oil discovery in the Central North Sea, and we are collaborating with our partner i3 Energy to determine the best strategic direction for the prospect, with a variety of development scenarios being diligently considered including a development incorporating the Tain discovery that could be tied back to the Blake field or potentially developed with low-cost infrastructure as a standalone field.

In July 2023, we assumed operatorship of our onshore UK licence PEDL343, which holds the Cloughton gas discovery. Our technical team has already performed an audit of the existing subsurface data and established a range of gas in place volumes with a Pmean of 192 bcf gross. Our team is now working on a conceptual development plan for the field, which we expect will demonstrate the material potential value of the licence. Concurrently we are engaged with stakeholders to secure the necessary permits and approvals required to drill an appraisal well, which we believe will demonstrate the reservoir can deliver the production rates required for commercial development of the field.

We are continually assessing opportunities to further diversify our asset portfolio. We are encouraged by the reaffirmation of UK Government support for offshore and onshore hydrocarbon exploration and production and remain optimistic about our future growth prospects.

William Holland

CEO



Wressle tanks

Our market

An overview of the key factors that have an impact on the energy market, how they affect the market, and what these could look like in 2024.



Governance

The Company operates in well-regulated jurisdictions that govern the operational activities undertaken by Europa.

In addition, these governing bodies issue licences and permits and determine the fiscal environment. The regulatory bodies in both the UK and Ireland have experienced staff and well-defined statutes, however the UK exchequer has a record of changing the fiscal environment with oil prices where it increases and decreases the tax burden on oil and gas companies as oil and gas prices fluctuate.

What is the impact?

It is difficult to model the economic outcome for shareholders when there is significant instability in the fiscal environment, and it is challenging to put in place mitigating measures. The incumbent government may often respond to the mood of the electorate, which can result in policy changes and changes in the general licensing environment.

What does this mean for Europa?

The value of the production, development and discovery of hydrocarbons is uncertain as the stability of the prevailing policies of the relevant governing bodies cannot be reliably forecast.



Commodity prices

History demonstrates that the price of crude oil is never immutable. Wide price swings are experienced in times of shortage or oversupply.

The price of crude oil may fluctuate violently, affected by external factors such as global macroeconomic conditions, OPEC+ policy, political factors, war, market speculation, and the value of the US dollar. Recently crude oil prices have been subject to high levels of volatility due to geopolitical factors, uncertain OPEC+ production, and concerns that a global recession could reduce crude oil demand. EIA forecasts oil prices to generally remain near current levels in 2024 with Brent averaging \$88/bbl. The EIA expects that prices should decline slightly beginning in 2024 as oil inventories build. Increased oil inventory next year largely reflects slowing oil demand growth, non-OPEC oil production growth, and the end of Saudi Arabia's current voluntary production cuts. Potential petroleum supply disruptions and slower-than-expected crude oil production growth could lead to higher oil prices, while the possibility of slower-than-forecast economic growth may contribute to lower prices.

What is the impact?

Fluctuating oil prices have a direct impact on the Company's income and result in uncertainty around the availability of capital to deploy into development, appraisal and exploration operations.

What does this mean for Europa?

Europa models future cash flows and adopts a conservative view on oil prices to ensure that the Company does not overcommit available capital. Where there are capital commitments which are reliant on future cash flows that require certainty over funding, a hedging strategy may be implemented.



Demand and supply

EIA forecasts that global consumption of liquid fuels will rise by an average of 1.3 million b/d in 2024.

Non-OPEC production is the main driver of global production growth in the EIA forecast, increasing by 1.3 million b/d in 2024, led by the United States, Brazil, Canada and Guyana. Russia's production is expected to decline by 0.3 million b/d by end 2023 and remain relatively unchanged in 2024. EIA forecasts that OPEC crude oil production will fall by 0.8 million b/d during Q4 2023 and increase by 0.4 million b/d in 2024.

What is the impact?

The market is currently reasonably balanced. However, the global macropolitical and economic environments can change rapidly and disrupt this balance.

What does this mean for Europa?

Changes in the global demand and supply balance will have a direct impact on global oil prices, which in turn impacts the future income of Europa and, in the case of an over supplied market, its ability to progress asset development due to potential shortfalls in available capital.



Transition to renewable energy

With its European partners the UK has committed to transition to net zero carbon emissions by 2050.

While the transition to net zero carbon emissions by 2050 is a big challenge, it is believed to be economically and technically feasible, and is becoming easier as the cost of low-carbon technologies declines. However, during this transition and beyond there is an ongoing demand for hydrocarbons, not only as a fuel source but also due to the myriad of consumer products that are made from petroleum by-products. To achieve these net zero goals scope 1 and scope 2 emissions need to be minimised. This can be done by producing hydrocarbons in the most emissions-efficient manner possible and also by producing hydrocarbons locally to the demand centres, rather than transporting the product over long distances.

What is the impact?

Mature hydrocarbon basins, such as the North Sea, provide not only a well-understood sub-surface environment but also existing infrastructure that can be efficiently utilised to extract hydrocarbons in a well-regulated environment with world class levels of emissions. This domestic production is materially more emissions-efficient than importing hydrocarbons from overseas.

What does this mean for Europa?

Europa is focused on appraising and developing hydrocarbons close to centres of demand thereby contributing towards the global goals of net zero 2050. The Company is highly experienced in the regions in which we operate, and therefore understands the specific technical challenges associated with developing the resources, and how to do so most efficiently.

Highlights

**\$88
/bbl**

Oil price in 2024 EIA forecast

**1.3m
b/d**

Demand increase
forecast in 2024 EIA forecast

Effective risk management to support growth

The various activities of Europa subject the Company 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, which this year established a Risk Committee tasked with regularly reviewing the prevailing operational, business and economic circumstances to a granular level. The Risk Committee reports back to the board on a bi-monthly basis, or at any time that a serious shift in risk profile is identified.

The primary risk facing the business is that of asset performance.

| Key risk | Description and impact | Mitigation | Change |
|---|--|--|--------|
| 1 Funding/ Liquidity | <p>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.</p> <p>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 25, also note comments on going concern in note 1.</p> <p>The Group primarily relies on revenues from its producing assets to fund its activities. Where such revenues are insufficient to meet its funding demands the Group is reliant on external debt or equity funding. Although the Group has a track record of successfully raising debt and equity funds when required, there can be no certainty that these sources of funding will be available at the same time as when they are required by the Group.</p> | <p>Detailed cash forecasts are prepared regularly and reviewed by management and the board.</p> <p>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 potentially by the trading of assets.</p> | ▬ |
| 2 Commodity price and foreign exchange | <p>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. There is no mitigation in place at the moment and the Company assumes \$1.25/GBP for forecasting.</p> | <p>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.</p> | ▴ |
| 3 Customer | <p>All oil production is sold to one UK-based refinery – if it was to stop buying Europa's crude, additional transportation costs would be incurred.</p> | <p>Other refineries are known to Europa, but the proximity of the incumbent customer aligns with the Group's aims of minimising emissions generated by its operations.</p> | ▬ |

Key

| | |
|---|-----------|
| ▲ | Increased |
| ▼ | Decreased |
| ▬ | No change |
| ■ | New |

| Key risk | Description and impact | Mitigation | Change |
|--|--|---|--------|
| 4 Exploration, drilling and operational | <p>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.</p> <p>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.</p> <p>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.</p> | <p>Current production comes from four oil wells located at four different sites. This diversity of producing assets gives Europa resilience in the event of a problem with one well or site.</p> <p>Appropriate insurance is obtained annually which covers some of Europa's exploration, development and production activities.</p> <p>The non-operating partners within each joint venture assess the technical merits of each joint venture operator, providing a peer review of operational activities.</p> | ▬ |
| 5 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. | ▬ |
| 6 Political risk | The elected governments of the countries where the Group operates set the regulatory and licensing regime within which the Group operates. The regulatory regime may change dramatically based on the policies and manifestos of the governing party, for example a ban on new exploration licences may be announced, existing licences may be curtailed, or certain operating methods may be restricted. A change of government, or change of government policy could materially affect the ability of the Group to operate. | The Group operates in well-regulated jurisdictions where political risks are considered at the lower end of the risk spectrum. Notwithstanding this, the Group monitors changes and proposed changes in government policy and opposition manifesto in the jurisdictions where it operates, in order to understand the potential impact on the Group. | ▲ |
| 7 Climate risk | As a producer of oil and gas, climate change and the transition to a low-carbon economy affect the Group's operations through aspects such as potentially adverse effects on commodity prices, limited access to funding and higher cost of capital. | The Group supports the energy transition and complies with all current environmental guidelines. As set out in the Sustainability section of this report, the Group is taking various actions and initiatives to reduce emissions whilst also contributing to energy security in the jurisdictions in which we operate. | ▬ |

On behalf of the board

William Holland, CEO

Directors' statement under Section 172 (1) of the Companies Act 2006

Section 172 (1) of the Companies Act obliges the directors to promote the success of the Company for the benefit of the Company's members as a whole.

This section specifies that the directors must act in good faith when promoting the success of the Company and in doing so, have regard (amongst other things) to:

- a. the likely consequences of any decision in the long term;
- b. the interests of the Company's employees;
- c. the need to foster the Company's business relationship with suppliers, customers and others;
- d. the impact of the Company's operations on the community and environment;
- e. the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f. the need to act fairly between members of the Company.

The board of directors is collectively responsible for the Company's strategy, which is to develop significant value-accretive opportunities across a balanced portfolio of energy assets while minimising risk to shareholders.

The board of directors confirms that during the last year under review it acted in accordance with section 172 (1) of the 2006 Companies Act, which requires the board to promote the long-term success of the Company for the benefit of shareholders.

The strategies developed under the leadership and guidance of the board of directors and executed by the Company have yielded a firm foundation for future value creation, and a meaningful de-risking of development plans.

Some of the key decisions taken by the directors during the year under review, and the significant outcomes achieved by the Company aimed at delivering on its strategies included:

- The retirement of Simon Oddie and concurrent transition of Will Holland from chief financial officer ("CFO") to chief executive officer in March 2023. Mr. Holland had already made significant contributions to the Company over an extended period, both during his time as a consultant when he was instrumental in the March 2022 placing, and subsequently in his role as CFO since April 2022. Mr Oddie remains on the board of the Company as a non-executive director.
- The Serenity partners, including the Company, spudded an offshore appraisal well on Seaward Production Licence P.2358, Block 13/23c in September 2023. The well unfortunately failed to encounter oil-bearing sands, however the Company is continuing to explore opportunities to develop the discovered reserve.
- In December 2022 the extension period to the Initial Period of the Inezgane Licence offshore Morocco came to an end and the Company decided not to progress to the First Extension Period. This resulted in a full impairment of previously capitalised exploration costs of £1.7 million.
- The directors continued farm-out efforts on the Frontier Exploration Licence ("FEL") 4/19 located offshore Ireland near the producing Corrib gas field. Increased interest in gas as an EU approved "green" fuel for the transition period saw demand and prices rise. This would allow the Company to maximise the revenue potential of the licence. During the year the Company engaged proactively with the Irish Government in relation to the contribution that FEL 4/19 could make to Ireland's energy security.
- The Company's previous auditor, BDO LLP, had been in place for over 10 years and during 2023 the board of directors conducted a formal tender process to identify a new statutory auditor as part of a periodic rotation. Out of more than 10 firms considered, three firms were invited to tender and three submitted proposals. The proposals were measured against a predefined, Audit Committee approved scorecard and the two top scoring firms were interviewed by the full board of directors. PKF Littlejohn LLP was appointed as auditor on 2 June 2023.
- The retirement of Murray Johnson and the concurrent appointment of Louise Armstrong as company secretary in May 2023.
- The directors approved the Company's participation in the UK 33rd Round Licence Application process and a bid was submitted on a licence following careful technical and commercial analysis of various available licences. The licence awards are expected by year end 2023.
- Following a portfolio asset review Cloughton was identified as having significant potential. After discussing the findings with the Cloughton partners it was decided that Europa was best placed to further evaluate and develop the asset. The board approved assuming operatorship of PEDL 343 from Egdon Resources and the Company is progressing towards an appraisal well to test the commerciality of flow rates utilising modern completion techniques.

STAKEHOLDER ENGAGEMENT

Engaging with stakeholders

The table below shows how Europa engages with stakeholders

Shareholders



How we engage

- Websites – all announcements
- Email notices
- Company's Twitter account
- Online meetings
- Physical meetings

Government regulators



How we engage

- NSTA/OGA – letter, online portal, seminars and meetings
- PPRS – monthly submissions and website data input
- Environment Agency – bi-annual reports, soliciting a CAR Report and site visits
- HSE – site visits, meetings, inspections
- ONHYM – letter and email correspondence
- DECC – letter and email correspondence
- UKOOG – meetings, letter and email correspondence
- IOOA – meetings, letter and email correspondence

Joint venture partners



How we engage

- Letter and email correspondence and annual TCM/OCM formal meetings

Suppliers and advisers



How we engage

- Email
- Orders and payments
- Letters
- KYC work

Local community



How we engage

- This is site specific but includes personal and group meetings

Glossary

| | |
|--------------|--|
| CAR | Compliance Assessment Report |
| DECC | Department of the Environment and Climate Change (Ireland) |
| HSE | Health and Safety Executive |
| KYC | Know Your Customer |
| OCM | Operations Committee Meeting |
| NSTA | North Sea Transition Authority (UK) |
| TCM | Technical Committee Meeting |
| UKOOG | UK Onshore Oil and Gas |
| IOOA | Irish Offshore Operators' Association |

Introduction to governance



Brian O'Cathain, Chairman



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.

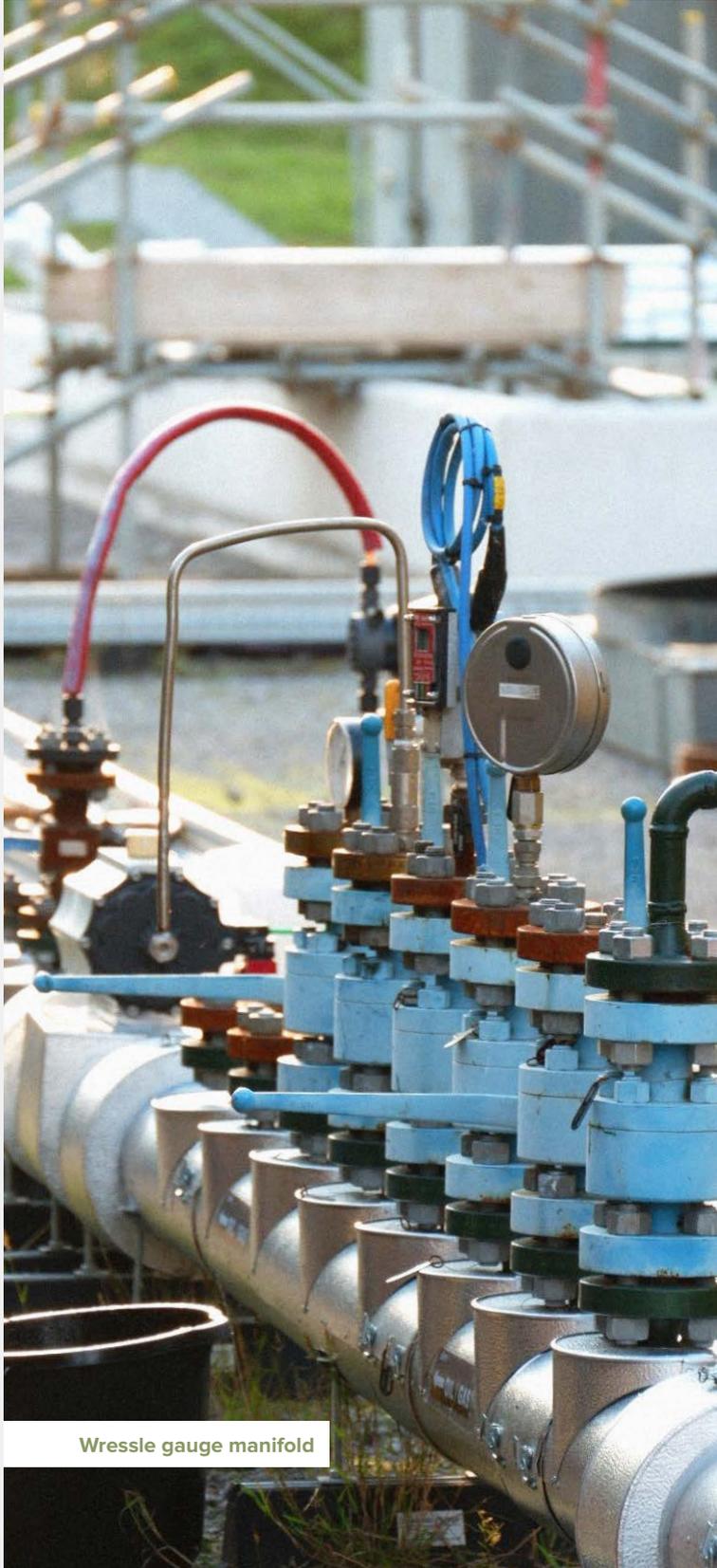
The board has determined that the Quoted Companies Alliance ("QCA") Corporate Governance Code for small and mid-size quoted companies is the most appropriate for the Group to adhere to.

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 has not departed from any of the principles of the QCA Code during the year under review.

The last 12 months have seen, amongst others, the following governance developments:

- W Holland met with major shareholders.
- S Oddie retired as CEO and W Holland transitioned into the role as CEO.
- A Stuart joined the board of directors as an executive director.
- L Armstrong was appointed as company secretary.
- An independent board evaluation review was undertaken after the financial year end, in September 2023, which confirmed that the board is operating effectively.



Wressle gauge manifold

Corporate governance principles applicable to Europa Oil & Gas

1. Establish a strategy and business model which promotes long-term value for shareholders.
2. Seek to understand and meet shareholder needs and expectations.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.
5. Maintain the board as a well-functioning, balanced team led by the chairman.
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.
8. Promote a corporate culture that is based on ethical values and behaviours.
9. Maintain governance structures and processes that are fit for purpose and support good decision making by the board.
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

CHAIRMAN'S INTRODUCTION CONTINUED

Review of each of the QCA principles

| | |
|--|---|
| <p>Principle 1:</p> <p>Establish a strategy and business model which promotes long-term value for shareholders</p> | <p>Our strategy is described here: http://www.europaoil.com/strategy.aspx</p> <p>Also note:</p> <ul style="list-style-type: none"> ▪ In early July 2022 following a review of the committee's work, the board resolved to have the Strategy Committee continue to provide support to the executive in implementing strategy. ▪ The Strategy Committee met once in 2022/23. ▪ Strategy is actively assessed and adjusted by discussion between the directors. ▪ Strategy is by necessity opportunity driven. |
| <p>Principle 2:</p> <p>Seek to understand and meet shareholder needs and expectations</p> | <p>The Company engages with shareholders by:</p> <ul style="list-style-type: none"> ▪ Conducting regular interviews with Proactive Investors and appearing on various virtual forums. ▪ Issuing Regulatory News Service (RNS) announcements. ▪ Maintaining an active Twitter and LinkedIn account. ▪ Replying directly to investor questions sent to mail@europaoil.com. ▪ Conducting at least twice-yearly meetings with major shareholders on its results roadshows to obtain a balanced understanding of their issues and concerns. <p>Shareholder liaison is the responsibility of the CEO and chairman, with assistance from the SID. At the last AGM, voting did not indicate any specific shareholder concerns. Three special resolutions were not passed at the 2022 AGM.</p> |
| <p>Principle 3:</p> <p>Take into account wider stakeholder and social responsibilities and their implications for long-term success</p> | <p>Key stakeholders are:</p> <ul style="list-style-type: none"> ▪ Regulators (NSTA, DECC (Department of Environment, Climate and Communications (Ireland)), EA, HSE, Local Authorities). ▪ Host governments. ▪ Local communities. ▪ Partners and co-venturers. ▪ Employees and consultants. ▪ Phillips 66 (who purchase our produced crude oil). <p>The CEO provides a weekly report to the board which includes a section on finance and investor relations. This includes stakeholder and social responsibility feedback from multiple sources. 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 and in particular the role of indigenous gas.</p> <p>Europa is a member of the UK Onshore Oil and Gas ("UKOOG") which represents the UK onshore oil and gas industry and the wider supply chain.</p> |

Principle 4:

Embed effective risk management, considering both opportunities and threats, throughout the organisation

During 2023 the Company established a Risk Committee to develop a formalised risk management framework and to actively monitor, and report to the board on, the risks that the Company is exposed to. The Risk Committee maintains a risk register for the Group that identifies key operational and financial risks, which is reviewed and updated at least every two months. All members of the board are provided with a copy of the register, which includes a monitoring dashboard.

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, social media use and whistleblowing. The handbook is updated and reissued regularly.

Principle 5:

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

Two of the three NEDs are considered by the board to be independent with S Oddie not being independent due to his recent retirement as CEO.

Biographies are available at: <http://www.europaoil.com/Directors.aspx>

Three of the board's non-executive directors, S Williams, S Oddie and B 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 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 financial circumstances of these individuals.

Directors serving more than six years will continue to be proposed for re-election at each AGM.

W Holland (CEO) and A Stuart (COO) are full-time employees.

B O'Cathain (non-executive chairman), S Williams and S Oddie (all non-executive directors) are all expected to devote such time as is necessary for the proper performance of their duties including attendance at board meetings, the AGM, and board committee meetings.

The minimum numbers of meetings for committees are: Audit Committee – two; Remuneration Committee – one; ESG Committee – one; Nominations Committee – one; and Risk Committee – six. Meetings held and attendance records of all directors for the period 1 August 2022 to 31 July 2023 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 receive the agenda and associated papers a few days in advance of meetings.

CHAIRMAN'S INTRODUCTION CONTINUED

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> where their relevant experience, skills and personal qualities are set out. There is an appropriate breadth of experience covering the key aspects of the business including technical, operational, financial and international. Board diversity has been identified as a core area of focus at the time of the next appointment. It is the responsibility of each director to keep their 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 2023 Annual Report, nor subsequently to the date of this statement, occasioning the board or any of its committees to seek specific external advice, though the board does consult 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.

New directors receive relevant training from the Company's Nominated Adviser and broker.

Principle 7:

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Pursuant to the decision made in the prior year, an independent external review of the board's performance was initiated during the year and completed in September 2023. The review considered aspects such as how well the board performs its duties, governance, risk management and strategy and the overall conclusion was that the board is performing at a high level of effectiveness. The report concluded that the board was functioning well.

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.

The board meets once a year at one of the production sites during which directors are encouraged to spend time with, listen to and act upon any concerns of staff members or contractors.

- The board considers that there are no material cultural differences between the UK and Ireland.
- 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 – B O’Cathain

- 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 – W Holland (from March 2023)

- Develops Group objectives and strategy.
- Executes strategy following approval by the board.
- Recommends and executes appropriate licence acquisition and disposal decisions, joint venture opportunities, and 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.

Role of the SID – S Williams

- Works closely with the chairman, acting as a sounding board and providing support.
- Acts as an intermediary for other directors if 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 carry 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 COO – A Stuart (from April 2023)

- Oversees daily business operations.
- Identifies means of improving operating procedures for optimal efficiency.
- Assesses and enhances the efficiency of internal and external operational processes.
- Leads and motivates staff to achieve organisational objectives.
- Evaluates Company performance, and recommends strategies to improve results.
- Seeks to identify business opportunities in line with Europa’s strategic goals.
- Collaborates with directors and other stakeholders to raise capital and carry out other business-expanding strategies.

Role of the company secretary – Louise Armstrong (from 31 May 2023)

- Distributes documents to the board.
- Is available to the Audit, Remuneration, Nominations, Strategy, ESG and Risk 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.

CHAIRMAN'S INTRODUCTION CONTINUED

Principle 10:

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The main method for communicating financial and operational performance, and information about how the Company is governed is via this audited Annual Report and the unaudited half-yearly Interim Report. In addition, the Company communicates important information via press releases and updates to the Company website and social media channels.

Past Notice of AGMs are available at

<http://www.europaoil.com/reportsandpresentations.aspx>

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 now comprises three non-executive directors ("NEDs") and two executive directors, being the CEO and the COO. Biographies of the directors are set out in the board of directors section of this report. Of the three NEDs two are considered by the board to be independent. S Oddie is not considered to be independent as he retired as CEO during the year. The roles and responsibilities of the chairman, CEO, senior independent director ("SID"), COO and company secretary are set out on the website and summarised below.

B O'Cathain is non-executive chairman, S Williams is the SID, S Oddie is an NED.

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 2022 to 31 July 2023 are set out below:

| | Board | Audit Committee | Remuneration Committee | Nominations Committee | ESG Committee | Strategy Committee | Risk Committee |
|---------------------|----------------------|----------------------|------------------------|-----------------------|----------------------|----------------------|----------------------|
| | Attended of Possible | Attended of Possible | Attended of Possible | Attended of Possible | Attended of Possible | Attended of Possible | Attended of Possible |
| S Oddie | 7/7 | N/A | 1/1 | N/A | 1/1 | 1/1 | N/A |
| C Ahlefeldt-Laurvig | 4/4 | 3/3 | 1/1 | 1/1 | 1/1 | 0/1 | N/A |
| B O'Cathain | 6/7 | 3/4 | 2/2 | 1/1 | N/A | 1/1 | N/A |
| S Williams | 7/7 | 4/4 | 2/2 | 1/1 | 1/1 | 1/1 | N/A |
| W Holland | 7/7 | N/A | N/A | N/A | 1/1 | 1/1 | 1/1 |
| A Stuart | 3/3 | N/A | N/A | N/A | N/A | 1/1 | 1/1 |

Brian O'Cathain

Chairman

AUDIT COMMITTEE REPORT

The Audit Committee meets at least twice a year and is chaired by S Williams with B O’Cathain as the other member. During the year, the committee has reviewed:

- The internal financial control systems and other internal control and risk management systems.
- The statements included in the Annual Report concerning internal controls, risk management and the going concern statement.
- The carrying values of 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 both the previous and newly appointed external auditors, including:

- Approved the process for selection of the new auditor, and ratified the appointment decision.
- Approved the 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 would 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 ethical standards, including guidance on the rotation of audit partner and staff.
- Assessed the qualifications, expertise, 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 present, to discuss the auditor’s remit and any issues arising from the audit.
- Discussed with the external auditor factors that could affect audit quality and reviewed and approved the annual audit plan, ensuring its consistency 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, 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.

Stephen Williams
Audit Committee Chair

REMUNERATION COMMITTEE REPORT

The Remuneration Committee reviews the scale and structure of the executive directors' remuneration and the terms of their service contracts. Remuneration and terms and conditions of appointment of the non-executive directors are set by the board.

S Oddie chairs the committee. B O'Cathain and S Williams are members. The Remuneration Committee met once 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 2022/23:

- There were no changes to remuneration policy, pension rights or any compensation payments.
- Changes were made in pay across the Company and Group.

- An award under the executive bonus scheme was made for the calendar year 2022. A scheme for the calendar year 2023 is in operation for the year commencing 1 January 2023.
- It was resolved to issue share options under the Company's EMI Share Option Scheme to two new staff hires, and also to W Holland.
- KPIs for the 2023/24 executive bonus scheme were set and approved.

Directors' remuneration is set out in note 4 of the financial statements.

Simon Oddie

Remuneration Committee Chair

NOMINATIONS COMMITTEE REPORT

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 by the board.

B O'Cathain chairs the committee. S Williams, S Oddie and W Holland are members. The Nominations Committee met once in the year and discussed and recommended:

- The appointment of W Holland as CEO.
- That S Oddie remain on the board as a NED.
- That S Oddie's issued share options be kept available to be exercised for a period of one year following his resignation as CEO.

- It was re-iterated that the Company would look for a female board member at the next opportunity.
- 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 is considered to be appropriate.

Brian O'Cathain

Nominations Committee Chair

STRATEGY COMMITTEE REPORT

The Strategy Committee reviews the Company's progress in realising its strategic objectives, and reviews opportunities, initiatives, alliances and potential mergers.

W Holland chairs the Committee. S Williams, B O'Cathain, S Oddie and A Stuart are members. The Strategy Committee last sat in July 2023 and its key decisions were:

- The committee invited A. Stuart to join the committee.
- The committee reviewed a plan to rate opportunities consistently and agreed a gate process system.

- The committee agreed to maintain a strong focus on the North Sea whilst seeking opportunities in other geographic areas from an asset, rather than geographic, driven viewpoint.

William Holland

Strategy Committee Chair

ESG COMMITTEE REPORT

The ESG Committee reviews the ESG policies and initiatives, ensuring they remain effective and up to date, along with ensuring compliance with legal and regulatory requirements including corporate governance principles and industry standards. The board has adopted a precautionary approach to ESG, identifying and assessing the potential risks and impacts of our operations on the world around us at all stages of a project, and the oversight of this lies with the ESG Committee.

The ESG Committee is chaired by B O’Cathain, with S Williams and S Oddie as members.

Environment – The board is committed to ensuring that the environmental impacts of its activities are taken into account and that the Company is regarded as a good steward of hydrocarbon resources. As such the ESG Committee will consider how it can actively reduce greenhouse gas emissions and energy consumption in its activities.

Social – The committee will consider the Company’s interactions with employees and all stakeholders of the Company to ensure that these relationships are being appropriately managed and will consider the role of the Company in society to ensure that all groups impacted by the activities of the business are given appropriate consideration.

Governance – The ESG Committee is responsible for ensuring that the appropriate governance policies are in place. All relevant policies relating to ESG shall be reviewed by the committee and where the committee is not satisfied it shall report its views to the board.

In 2022-23:

- Geothermal & solar potential at West Firsby.
- Assessed the various ESG reporting frameworks.
- GHG emission data collection.
- Reviewed metric & emissions targets.
- Reviewed material for the website.
- Committed to continuing to build on our reporting framework.

Brian O’Cathain
ESG Committee Chair

RISK COMMITTEE REPORT

The Risk Committee was established in 2023 and will meet six times per year to review identified business risk factors, any changes in the risk environment and to ensure that appropriate mitigations are in place. W Holland is Chair of the Risk Committee, and A Stuart is a member.

The inaugural meeting of the newly established Risk Committee took place in July 2023, at which time a risk matrix was adopted, and initial risk ratings for identified factors were agreed. A risk monitoring dashboard has been designed and this is presented to the board of directors at each meeting.

William Holland
Risk Committee Chair

Our strong leadership

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



The board

Chairman



Brian O’Cathain
Independent Non-Executive Chairman

Executive Directors



William Holland
Chief Executive Officer



Alastair Stuart
COO Executive Director

Non-Executive Directors



Simon Oddie
Non-Executive Director



Stephen Williams
Independent Non-Executive Director

Audit Committee

Role: receives and reviews reports from management and the Company’s auditors relating to the annual and interim accounts and the accounting and internal control systems of the Company. It has unrestricted access to the Company’s external auditors.

Membership:
Stephen Williams (Chair)
Brian O’Cathain

Nominations Committee

Role: reviews the size, structure and composition of the board and gives consideration to succession planning. The committee identifies and nominates candidates to fill board vacancies for approval of the board.

Membership:
Brian O’Cathain (Chair)
Simon Oddie
Stephen Williams
William Holland

Remuneration Committee

Role: 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.

Membership:
Simon Oddie (Chair)
Brian O’Cathain
Stephen Williams

ESG Committee

Role: provides an oversight of the Company’s ESG strategy and activities. This includes reviewing ESG policies and initiatives, ensuring they remain effective and up to date.

Membership:
Brian O’Cathain (Chair)
Stephen Williams
Simon Oddie

Strategy Committee

Role: provides support to the executive, monitors progress on strategy implementation and advises on resource requirements.

Membership:
William Holland (Chair)
Brian O’Cathain
Stephen Williams
Simon Oddie
Alastair Stuart

Committee membership key

| | |
|----------|------------------------|
| E | ESG Committee |
| A | Audit Committee |
| R | Remuneration Committee |
| N | Nominations Committee |

| | |
|-----------|---------------------|
| S | Strategy Committee |
| RI | Risk Committee |
| ■ | Chair of Committee |
| ■ | Member of Committee |

There is an appropriate breadth of experience for current activities covering the key aspects of the business including technical, operational, financial and international. 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 2022/23 this has not been required.

The main internal advisory functions are that of SID (S Williams) and company secretary (L Armstrong).

William Holland RI N S CEO and executive director

Appointed: June 2022

Skills and experience:

W Holland is a proven industry leader with a career spanning over 25 years in the upstream sector. He started as an engineer with Halliburton focused on North Sea operations before moving into upstream banking at Macquarie Bank. Since 2013 he has run a successful consulting business which advises energy companies on commercial, financial and M&A matters. Mr Holland has significant experience in corporate acquisitions, establishing and growing small cap E&P companies, debt and equity financing, balance sheet restructuring and investor relations, much of which was gained working on upstream deals across the UK and Europe. He has an engineering degree from Warwick University and an MBA from Heriot-Watt University.

Alastair Stuart RI S Chief operating officer and executive director

Appointed: October 2004

Skills and experience:

A Stuart has over 30 years of experience in operational, commercial and technical roles in the energy sectors. He has been working with Europa in a consultant capacity since 2012. As a 1982 graduate of Heriot-Watt's Masters programme in Petroleum Engineering, he began his career with Total CFP in Paris before joining Enterprise Oil in 1986, shortly after it was established, where he focused on projects in the North Sea and the Far East. He was later promoted to New Ventures Manager, where he led the evaluation and progression of new ventures in South America, Eastern Europe and the Far East. After 10 years with Enterprise, he worked briefly with Hardy Oil & Gas, before setting up his own consulting group in 1998 which developed processes and systems for managing capital allocation across large portfolios of investments in the oil & gas, pharmaceutical and venture capital sectors.

Brian O'Cathain E A R N S Non-executive chairman

Appointed: January 2018

Skills and experience:

B O'Cathain 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 was a non-executive director of Eland Oil and Gas, an AIM quoted company producing over 20,000 bopd in Nigeria, until its successful sale to Seplat plc in December 2019. He is also a non-executive director 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 pension funds with assets of US \$396 billion (year ended 31 March 2022) under management. He is a founding director and chair of Causeway Geothermal Limited, a geothermal company. His skills include fundraising, and the technical, legal and financial aspects of running a publicly listed oil & gas company, and he brings a wealth of market understanding to the table. 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.

Simon Oddie E R N S Non-executive director

Appointed: January 2018

Skills and experience:

S Oddie joined the board as non-executive chairman in January 2018, was appointed Interim CEO in November 2019 and then permanent CEO on 4 August 2020 at which time he stepped down as non-executive chairman. He retired from his role of CEO in March 2023 and took up the position of non-executive director.

He has over 40 years of experience as a petroleum engineer, technical consultant, manager and investment adviser in upstream oil and gas. He has previously 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. More recently Simon 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 participation in key professional societies, industry groups and seminars.

Stephen Williams E A R N S Non-executive director

Appointed: March 2020

Skills and experience:

Since October 2017, S Williams has held the position of Co-CEO of Reabold Resources, an AIM traded, upstream oil & gas company focused on investing in late-stage upstream opportunities. At Reabold, he played a leading role in raising capital, building a diversified portfolio of investments in the UK, Romania and the US and, since August 2018, the company's participation in nine wells, eight of which have resulted in discoveries. Prior to Reabold, he held various positions within both the energy and financial sectors including as a fund manager at Guinness Asset Management and, between 2010 and 2016, as an investment analyst at M&G focused on energy and resources. Between 2005 and 2010, he worked as an energy investment analyst for Simmons & Company International and from 2003 to 2005 as an analyst at Exxon Mobil.

DIRECTORS' REPORT

Business review

A detailed review of the Group's business is set out in the Chairman's statement and Our strategy.

Future developments

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

Dividends

The directors do not recommend the payment of a dividend (2022: £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 | |
|-------------|---------------------------|-----------|----------------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| B O'Cathain | 1,467,948 | 1,467,948 | 2,950,000 | 2,950,000 |
| S Oddie | 3,384,615 | 3,384,615 | 9,200,000 | 9,200,000 |
| S Williams | 141,131 | 141,131 | 2,500,000 | 2,500,000 |
| W Holland | 1,308,357 | 228,757 | 7,721,000 | 3,721,000 |
| A Stuart | 210,000 | 282,488 | – | – |

Details of the vesting conditions of the directors' stock options are included in note 23.

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.

Significant shareholdings

Significant direct and indirect interests in the issued share capital of the Company above 3% are available at <https://www.europaoil.com/investors/aim-rule-26/>.

Financial instruments

See note 1 and note 24 to the financial statements.

Related party transactions

See note 27 to the financial statements.

Post reporting date events

See note 28 to the financial statements.

Capital structure and going concern

Further details on the Group's capital structure are included in note 22. Comments on going concern are included in note 1.

Accounting policies

A full list of accounting policies is set out in note 1 to the financial statements. No new accounting standards were adopted in the period.

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 auditor was aware of that information.

Auditor

PKF Littlejohn LLP was appointed as the auditor of the Company on 2 June 2023.

On behalf of the board

William Holland

CEO

STATEMENT OF 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 UK adopted International Accounting Standards. 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 UK adopted International Accounting Standards, 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 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards 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 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards 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 parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included a review of budgets for the period of 12 months from the date of approval of the financial statements, including checking the mathematical accuracy of the budgets, discussion of significant assumptions used by management, and comparing these with current year and post year end performance. We have also reviewed the latest available post year end management accounts, bank statements, regulatory announcements, board minutes and assessed any external industry wide factors which might affect the group and the parent company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. At the planning stage materiality is used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes during the audit.

We consider gross assets to be the most significant determinant of the group's financial position and performance used by shareholders, with the key financial statement balances being exploration assets and producing assets. The ability of the group to continue as a going concern depends on its means of funding operations going forward, as well as on the valuation of its assets, which represent the underlying value of the group. Materiality for the financial statements as a whole was £259,000, based on a benchmark of 1.5% of gross assets.

The same basis for calculation was used for the components of the group, with the parent company materiality set at £258,990 and for the remaining components between £19,000 and £256,000. Performance materiality for the group and its components was set at 70% of the overall materiality figure, as determined from our risk assessment for 2023, being £181,000, £180,990 and £13,000 to £179,000 for the group, parent company and remaining components respectively.

We agreed with the audit and risk committee that we would report to the committee all audit differences identified during the course of our audit in excess of £12,950 for the group as well as differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

Our approach to the audit

Our audit is risk based and is designed to focus our efforts on the areas at greatest risk of material misstatement, aspects subject to significant management judgement as well as greatest complexity, risk and size.

As part of designing our audit, we determined materiality, as above, and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain. These areas of estimate and judgement included:

- the carrying value of exploration and evaluation assets (identified as a key audit matter)
- the carrying value of producing assets (identified as a key audit matter)
- the carrying value of intercompany receivables at the parent company level (identified as a key audit matter)
- the valuation of decommissioning provision
- the valuation of share based payments
- the valuation of reserves & resources

We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The scope of our audit was based on the significance of component's operations and materiality. Each component was assessed as to whether they were significant or not to the group by either their size or risk.

All subsidiaries have been assessed as significant components of the group. These entities have been subject to full scope audits.

All audit work was conducted by the group audit team in London.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

| Key Audit Matter | How our scope addressed this matter |
|--|--|
| Accuracy and valuation of the carrying value of the group's capitalised exploration costs (Note 11) | |
| <p>The Group and Company hold material intangible assets relating to capitalised costs in respect of several early stage mineral exploration projects.</p> <p>There is a risk that impairment indicators exist under IFRS 6 which could result in an impairment of the year end intangible asset balance. There is also a risk that capitalised additions do not meet the eligibility criteria under IFRS 6.</p> <p>This is considered to be a key audit matter due to the significant judgement and estimates involved in assessing whether any indicators of impairment has arisen at the year end, and in quantifying any potential impairment.</p> | <p>Our work in this area included:</p> <ul style="list-style-type: none"> ▪ Substantive testing a sample of exploration and evaluation expenditures to assess their eligibility for capitalisation under IFRS 6 by corroborating to original source documentation; ▪ Confirmation the entity holds good title to the relevant licence areas; ▪ Making enquiries of management regarding future plans for each project including obtaining cashflow projections where necessary and corroborating to minimum spend requirements attached to licences, where appropriate; ▪ Considering whether there are indications of impairment on a project by project basis in accordance with IFRS 6; ▪ Assessing the farm-out agreements in place, its accounting and disclosures; and ▪ Reviewing management's review for indicators of impairment in respect of the carrying value of intangible assets and providing challenge thereto and corroborating any key assumptions used. <p>Key observations:</p> <p>The FEL 4/19 (Inishkea) licence currently expires on 31 January 2024, and were this not to be renewed this would give rise to indicators of impairment and would potentially reduce the value of said asset.</p> <p>The Serenity field is considered to be geologically connected to the neighbouring Tain field and it is expected that the Tain field can be incorporated into the development of Serenity to improve the field economics. If this were not to occur this could lead to impairment of the asset.</p> |

Independent auditor's report

to the members of Europa Oil & Gas (Holdings) plc

| Key Audit Matter | How our scope addressed this matter |
|---|--|
| Accuracy and valuation of the carrying value of the group's property, plant and equipment (PPE) (Note 12) | |
| <p>There is a risk that the carrying value of its Oil & Gas assets are overstated at the year end.</p> <p>The recent and historic volatile nature of long-term oil prices give rise to an increased risk, especially in the circumstances of the company being its key source of revenue and cash generation and the decrease in the Brent Crude price over the financial year.</p> <p>Changes in macroeconomic factors would increase the risk of inappropriate interest and discount rates used as working assumptions in the value in use calculation of the producing assets, thus inflating the value of the assets..</p> <p>This is considered to be a key audit matter due to the significant judgement and estimates involved in assessing whether any impairment has arisen at the year end, and in quantifying any such impairment.</p> | <p>Our work in this area included:</p> <ul style="list-style-type: none"> Assessing the process used by management to derive their internal Reserves and Contingent Resources estimates and associated production profiles for each of the four scenarios. Reviewing the Competent Person Report ("CPR") in place, assessing the scope of work, including an evaluation of the competence, capabilities and independence of the CPR; Reviewing management's internal production forecasts to the CPR in place and assessing the appropriateness of any differences which arise; Reviewing managements oil price assumptions against readily available market data and trends (such as Platts price data) in order to challenge the validity of forecasted price. In addition, consideration of external market factors and the impact on the valuation of the oil and gas assets held, such as the energy transition, demand and climate change; Discussing with PKF internal valuation experts to independently develop a reasonable range of discount rates for the assets and compared those to the discount rate applied by management; Assessing further management assumptions by reference to third party information, our knowledge of the group and industry and also budgeted and forecast performance; and Assessing whether management's presentation and disclosures relating to estimation uncertainty are adequate. |
| Recoverability of intragroup balances (Note 24) | |
| <p>Intra group loans are significant assets in the Parent Company's financial statements. Their recoverability is directly linked to the carrying value of intangible assets in the subsidiary and the ability of those assets to produce sufficient returns in order to repay the loan.</p> <p>There is a risk that the loan may not be fully recoverable and the value of the loan is overstated.</p> <p>The recovery of the loan and accompanying assessment for expected credit losses under IFRS 9 – Financial Instruments requires significant estimation and judgement, and therefore this has been assessed as a Key Audit Matter.</p> | <p>Our audit work included:</p> <ul style="list-style-type: none"> Reconciling intercompany balances to the intercompany matrix and the respective audited trial balance; Reviewing the impairment assessment prepared by client and challenging all inputs and estimates included therein; Assessing the Net Asset Values of the counterparty of which the loan is held for indicators of impairment; and Reviewing managements assessment of expected credit loss provisioning on the intercompany balances and ensuring adequate disclosure in the financial statements. <p>Key observations:</p> <ul style="list-style-type: none"> As per the key observations disclosed within the first Key Audit Matter, were said impairments to be processed, this could lead to impairment on intragroup balances which are reliant on the economic viability of these projects. |

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company 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 group and parent company financial statements, the directors are responsible for assessing the group 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.

Independent auditor's report continued

to the members of Europa Oil & Gas (Holdings) plc

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, and application of our cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from:
 - Companies Act 2006;
 - COMAH
 - Anti Money Laundering Legislation
 - Local Tax laws and regulations
 - International Financial Reporting Standards
 - AIM Rules
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
 - A review of the board minutes throughout the year and post year end;
 - A review of the RNS announcements;
 - A review of general ledger transactions; and
 - Discussions with management
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, the carrying value of the assets held to be an area of potential for management bias. Whilst the carrying value of the assets are held at historical cost, management must consider the impairment indicators under IAS 36 and the potential need to conduct a formal impairment review. Being the key balance within these financial statements, and the key driver for the business, this gives rise to an increased risk of material misstatement as a result of management bias. Supporting evidence has been obtained for an appropriate sample of additions throughout the year, and a detailed impairment assessment has been undertaken by management against those indicators as set out per IAS 36 and ensured that the carrying value is appropriate.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
20 October 2023

15 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated statement of comprehensive income

For the year ended 31 July

| | Note | 2023 £000 | 2022 £000 |
|--|----------|--------------|--------------|
| Continuing operations | | | |
| Revenue | 2 | 6,653 | 6,584 |
| <i>Cost of sales</i> | 2 | (3,448) | (3,806) |
| <i>Impairment of producing fields</i> | 12 | 177 | (570) |
| Total cost of sales | | (3,271) | (4,376) |
| Gross profit | | 3,382 | 2,208 |
| Exploration write-off | 11 | (1,686) | – |
| Administrative expenses | | (1,872) | (821) |
| Finance income | 6 | 9 | 239 |
| Finance expense | 7 | (717) | (238) |
| (Loss)/profit before taxation | 3 | (884) | 1,388 |
| Taxation expense | 8 | 32 | (32) |
| (Loss)/profit for the year | | (852) | 1,356 |
| Other comprehensive profit/(loss) | | | |
| Items which will not be reclassified to profit/(loss) | | | |
| Profit/(loss) on investment revaluation | 9 | 5 | (18) |
| Total other comprehensive profit/(loss) | | 5 | (18) |
| Total comprehensive (loss)/income for the year attributable to the equity shareholders of the parent | | (847) | 1,338 |
| Earnings per share (EPS) attributable to the equity shareholders of the parent from continuing operations | | | |
| Basic EPS | 10 | (0.09p) | 0.19p |
| Diluted EPS | | (0.09p) | 0.18p |

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 31 July

| | Note | 2023 £000 | 2022 £000 |
|--|------|----------------|----------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 11 | 7,146 | 3,785 |
| Property, plant and equipment | 12 | 2,417 | 3,021 |
| Total non-current assets | | 9,563 | 6,806 |
| Current assets | | | |
| Investments | 13 | – | 24 |
| Inventories | 14 | 19 | 36 |
| Trade and other receivables | 15 | 893 | 1,866 |
| Restricted cash | 16 | – | 6,884 |
| Cash and cash equivalents | | 5,165 | 1,394 |
| Total current assets | | 6,077 | 10,204 |
| Total assets | | 15,640 | 17,010 |
| Liabilities | | | |
| Current liabilities | | | |
| Loans | 18 | – | (40) |
| Trade and other payables | 17 | (781) | (1,573) |
| Total current liabilities | | (781) | (1,613) |
| Non-current liabilities | | | |
| Trade and other payables | 17 | (12) | (4) |
| Long-term provisions | 21 | (4,368) | (4,164) |
| Total non-current liabilities | | (4,380) | (4,168) |
| Total liabilities | | (5,161) | (5,781) |
| Net assets | | 10,479 | 11,229 |
| Capital and reserves attributable to equity holders of the parent | | | |
| Share capital | 22 | 9,592 | 9,565 |
| Share premium | 22 | 23,682 | 23,660 |
| Merger reserve | 22 | 2,868 | 2,868 |
| Retained deficit | | (25,663) | (24,864) |
| Total equity | | 10,479 | 11,229 |

These financial statements were approved by the board of directors and authorised for issue on 20 October 2023 and signed on its behalf by:

William Holland
CEO

Company registration number 05217946

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 2021 | 5,665 | 21,157 | 2,868 | (26,441) | 3,249 |
| Comprehensive loss for the year | | | | | |
| Profit for the year attributable to the equity shareholders of the parent | – | – | – | 1,356 | 1,356 |
| Other comprehensive loss attributable to the equity shareholders of the parent | – | – | – | (18) | (18) |
| Total comprehensive profit for the year | – | – | – | 1,338 | 1,338 |
| Contributions by and distributions to owners | | | | | |
| Issue of share capital (net of issue costs) | 3,900 | 2,722 | – | – | 6,622 |
| Issue of share warrants (note 23) | – | (219) | – | 219 | – |
| Share-based payments (note 23) | – | – | – | 20 | 20 |
| Total contributions by and distributions to owners | 3,900 | 2,503 | – | 239 | 6,642 |
| Balance at 31 July 2022 | 9,565 | 23,660 | 2,868 | (24,864) | 11,229 |
| Balance at 1 August 2022 | 9,565 | 23,660 | 2,868 | (24,864) | 11,229 |
| Comprehensive loss for the year | | | | | |
| Loss for the year attributable to the equity shareholders of the parent | – | – | – | (852) | (852) |
| Other comprehensive profit attributable to the equity shareholders of the parent | – | – | – | 5 | 5 |
| Total comprehensive loss for the year | – | – | – | (847) | (847) |
| Contributions by and distributions to owners | | | | | |
| Issue of share capital (net of issue costs) | 27 | 22 | – | – | 49 |
| Share-based payments (note 23) | – | – | – | 48 | 48 |
| Total contributions by and distributions to owners | 27 | 22 | – | 48 | 97 |
| Balance at 31 July 2023 | 9,592 | 23,682 | 2,868 | (25,663) | 10,479 |

The accompanying notes form part of these financial statements.

Company statement of financial position

As at 31 July

| | Note | 2023 £000 | 2022 £000 |
|--|-------|---------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 12 | 49 | 26 |
| Investments | 13 | 2,343 | 2,343 |
| Amounts due from Group companies | 15,24 | 22,143 | 13,270 |
| Total non-current assets | | 24,535 | 15,639 |
| Current assets | | | |
| Other receivables | 15 | 129 | 163 |
| Cash and cash equivalents | | 121 | 249 |
| Total current assets | | 250 | 412 |
| Total assets | | 24,785 | 16,051 |
| Liabilities | | | |
| Current liabilities | | | |
| Loans | 18 | – | (40) |
| Trade and other payables | 17 | (250) | (546) |
| Total current liabilities | | (250) | (586) |
| Trade and other payables | 17 | (12) | (3) |
| Total non-current liabilities | | (12) | (3) |
| Total liabilities | | (262) | (589) |
| Net assets | | 24,523 | 15,462 |
| Capital and reserves attributable to equity holders of the parent | | | |
| Share capital | 22 | 9,592 | 9,565 |
| Share premium | 22 | 23,682 | 23,660 |
| Merger reserve | 22 | 2,868 | 2,868 |
| Retained deficit | | (11,619) | (20,631) |
| Total equity | | 24,523 | 15,462 |

The Company has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish its individual statement of comprehensive income and related notes. The profit dealt with in the financial statements of the parent Company is £8,964,000 (2022: £6,238,000).

These financial statements were approved by the board of directors and authorised for issue on 20 October 2023, and signed on its behalf by:

William Holland
CEO

Company registration number 05217946

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 2021 originally stated | 5,665 | 21,157 | 2,868 | (27,108) | 2,582 |
| Comprehensive profit for the year | | | | | |
| Profit for the year attributable to the equity shareholders of the parent | – | – | – | 6,238 | 6,238 |
| Total comprehensive profit for the year | – | – | – | 6,238 | 6,238 |
| Contributions by and distributions to owners | | | | | |
| Issue of share capital (net of issue costs) | 3,900 | 2,722 | – | – | 6,622 |
| Issue of share warrants (note 23) | – | (219) | – | 219 | – |
| Share-based payments (note 23) | – | – | – | 20 | 20 |
| Total contributions by and distributions to owners | 3,900 | 2,503 | – | 239 | 6,642 |
| Balance at 31 July 2022 | 9,565 | 23,660 | 2,868 | (20,631) | 15,462 |
| Balance at 1 August 2022 originally stated | 9,565 | 23,660 | 2,868 | (20,631) | 15,462 |
| Comprehensive profit for the year | | | | | |
| Profit for the year attributable to the equity shareholders of the parent | – | – | – | 8,964 | 8,964 |
| Total comprehensive profit for the year | – | – | – | 8,964 | 8,964 |
| Contributions by and distributions to owners | | | | | |
| Issue of share capital (net of issue costs) | 27 | 22 | – | – | 49 |
| Share-based payments (note 23) | – | – | – | 48 | 48 |
| Total contributions by and distributions to owners | 27 | 22 | – | 48 | 97 |
| Balance at 31 July 2023 | 9,592 | 23,682 | 2,868 | (11,619) | 24,523 |

The accompanying notes form part of these financial statements

Consolidated statement of cash flows

For the year ended 31 July

| | Note | 2023 £000 | 2022 £000 |
|---|------|--------------|----------------|
| Cash flows from/(used in) operating activities | | | |
| (Loss)/profit after tax from continuing operations | | (852) | 1,356 |
| Adjustments for: | | | |
| Share-based payments | 23 | 48 | 20 |
| Depreciation | 12 | 1,133 | 1,618 |
| (Reversal)/impairment of producing field | 12 | (177) | 570 |
| Exploration write-off | 11 | 1,686 | – |
| Finance expense | 7 | 717 | 238 |
| Taxation expense recognised in profit and loss | 8 | (32) | 32 |
| Decrease/(increase) in trade and other receivables | | 973 | (1,344) |
| Decrease/(increase) in inventories | | 17 | (13) |
| (Decrease)/increase in trade and other payables | | (765) | 18 |
| Net cash generated by operations | | 2,748 | 2,495 |
| Income taxes paid | | 32 | (32) |
| Net cash generated by operating activities | | 2,780 | 2,463 |
| Cash flows from/(used in) investing activities | | | |
| Purchase of property, plant and equipment | | (564) | (403) |
| Purchase of intangible assets | | (5,047) | (1,246) |
| Cash escrow release re Morocco | | 263 | – |
| Cash escrow release/(deposit) re Serenity | 16 | 6,622 | (6,621) |
| Net cash from/(used in) investing activities | | 1,274 | (8,270) |
| Cash flows (used in)/from financing activities | | | |
| Gross proceeds from issue of share capital | 22 | 49 | 7,020 |
| Costs incurred on issue of share capital | | – | (398) |
| Proceeds from borrowings | | 1,000 | – |
| Repayment of borrowings | | (1,040) | (10) |
| Lease liability payments | | (20) | (14) |
| Lease liability interest payments | | (2) | (2) |
| Finance costs | | (35) | (3) |
| Disposal of listed shares | | 29 | – |
| Net cash (used in)/from financing activities | | (19) | 6,593 |
| Net increase in cash and cash equivalents | | 4,035 | 786 |
| Exchange loss on cash and cash equivalents | | (264) | (33) |
| Cash and cash equivalents at beginning of year | | 1,394 | 641 |
| Cash and cash equivalents at end of year | | 5,165 | 1,394 |

The accompanying notes form part of these financial statements.

Company statement of cash flows

For the year ended 31 July

| | Note | 2023 £000 | 2022 £000 |
|---|------|----------------|----------------|
| Cash flows used in operating activities | | | |
| Profit after tax from continuing operations | | 8,964 | 6,238 |
| Adjustments for: | | | |
| Share-based payments | 23 | 48 | 20 |
| Depreciation | 12 | 38 | 10 |
| Movement in intercompany loan provision | 24 | (7,997) | (5,720) |
| Finance income | | (1,928) | (810) |
| Finance expense | | 13 | 2 |
| Decrease/(increase) in trade and other receivables | | 36 | (93) |
| Decrease in trade and other payables | | (273) | (106) |
| Net cash used in operating activities | | (1,099) | (459) |
| Cash flows from/(used in) investing activities | | | |
| Purchase of property, plant and equipment | | (61) | (13) |
| Movement on loans to Group companies | | 1,052 | (6,152) |
| Net cash flows from/(used in) investing activities | | 991 | (6,165) |
| Cash flows (used in)/ from financing activities | | | |
| Gross proceeds from issue of share capital | 22 | 49 | 7,020 |
| Costs incurred on issue of share capital | | – | (398) |
| Proceeds from borrowings | | 1,000 | – |
| Repayment of borrowings | | (1,040) | (10) |
| Lease liability principal payment | | (15) | (8) |
| Lease liability interest payment | | (1) | (1) |
| Finance costs | | (13) | (2) |
| Net cash (used in)/from financing activities | | (20) | 6,601 |
| Net decrease in cash and cash equivalents | | (128) | (23) |
| Cash and cash equivalents at beginning of year | | 249 | 272 |
| Cash and cash equivalents at end of year | | 121 | 249 |

The accompanying notes form part of these financial statements.

Notes to the financial statements

1. Accounting policies

General information

Europa Oil & Gas (Holdings) plc is a public company incorporated and domiciled in England and Wales, limited by shares, with registered number 05217946. The address of the registered office is 30 Newman Street, London, W1T 1PT. The principal activity of the Company is oil and gas exploration, appraisal, development and production.

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 UK adopted International Accounting Standards.

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 2023.

Going concern

The directors have prepared a cash flow forecast for the period ending 31 December 2024, which considers the continuing and forecast cash inflow from the Group's producing assets, the cash held by the Group at October 2023, less administrative expenses and planned capital expenditure. Oil price estimates for the base case cash flow forecast are based upon a flat \$75 per barrel, whilst production estimates are sourced from the Group's internal modelling for Wressle and recent actual production.

The directors have performed sensitivities allowing for reasonably possible simultaneous falls in oil price and in Wressle production, and the Group and Company had sufficient cash resources to meet their obligations.

The directors have also performed sensitivities on the cash flow allowing for various severe downside scenarios including:

- a fall in the expected oil price from a base case price of \$75 per barrel to as low as \$65 per barrel
- incurring development spend on two additional Wressle development wells but with no production until 2025
- a deterioration of the US\$ against the Pound Sterling to 1.50

These sensitivities have been modelled as a reverse stress test, and the directors consider the likelihood of such movements to be very low. However, should these scenarios occur, the Group would have to employ certain predefined mitigations to remain cash positive.

The directors have concluded, as at the date of approval of these financial statements, that there is a reasonable expectation that the Group and Company will still have sufficient cash resources to be able to continue as a going concern and meet their obligations as and when they fall due over the going concern period.

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 operations.

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.

1. Accounting policies (continued)

Revenue recognition

The Group follows IFRS 15. The standard provides a single comprehensive model for revenue recognition. 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.

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.

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 IAS 36 are identified. In addition, indicators such as a lack of funding or farm-out options for a licence which is approaching termination or the implied value of a farm-out transaction are considered as indicators of impairment.

An impairment loss is recognised 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 or have decreased. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's or cash generating unit's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset or cash generating unit does not exceed either its recoverable amount or the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset or cash generating unit in prior years. Such a reversal is credited to cost of sales.

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. 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.

Notes to the financial statements

continued

1. Accounting policies (continued)

Non-current assets (continued)

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. The discount rate used is the risk-free rate, adjusted for risks that are not already included in the forecast cash flows. For producing wells, the asset is subsequently depreciated as part of the capital costs of production facilities within tangible non-current assets, on a unit of production basis. Any decommissioning obligation in respect of a pre-production asset is carried forward as part of its cost and tested annually for impairment in accordance with the above policy.

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

Acquisitions of exploration licences

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

Taxation

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

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

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

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

Foreign currency

The Group and Company prepare their financial statements in Sterling.

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

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

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

1. Accounting policies (continued)

Investments

Investments, which are only investments in subsidiaries, are carried at cost less any impairment. Additions include the net value of share options issued to employees of subsidiary companies less any lapsed, unvested options.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified as either financial assets at amortised cost, at fair value through other comprehensive income ("FVTOCI") 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.

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 a separate line in the income statement. 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 recognised separately from cash and cash equivalents on the balance sheet.

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 the 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.

Notes to the financial statements

continued

1. Accounting policies (continued)

Defined contribution pension schemes

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

Inventories

Inventories comprise oil in tanks stated at the lower of cost and net realisable value. Cost is determined by reference to the actual cost of production in the period.

Share-based payments

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

Critical accounting judgements

- 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 2023 there was £1,686k write off (2022: £Nil). The licence in Morocco expired in November 2022 and was not renewed. Resultantly the full carrying value of the intangible asset of £1,686k was impaired.

The Serenity appraisal well, drilled in the last quarter of 2022, did not find oil bearing sands and as such the well was plugged and abandoned during the year. All well costs have been capitalised within intangible assets. Well data provided valuable insights into the reservoir structure and active work is now being performed by the Company and the operator to assess the various development options for the Serenity field. The directors considered the unsuccessful appraisal well as a potential indicator of impairment. In the directors' judgement the potential value of reserves that were discovered by the discovery well, based on management's best estimate calculated on a discounted cash flow basis, exceeds the carrying amount of the related capitalised Serenity intangible asset as at 31 July 2023. There cannot however be certainty that at the end of the evaluation period a commercial development of Serenity volumes can be achieved.

The licence period for FEL 4/19 (Inishkea) expires on 31 January 2024. The Company is presently in the process of applying for an extension to the licence. These financial statements do not include the adjustments that would result if the licence was not renewed.

Critical accounting estimates

- 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. The directors estimate variables like reserves volumes, future oil prices, future capital and operating expenditure and discount rates. The directors rely on third party formal reports and historical reservoir performance to establish the appropriate reserves volumes and production profiles to use in estimating future cash flows. Future costs are based internal or joint venture budgets, and discount rates are estimated with reference to applicable external and internal data sources. The directors utilise management's view on external analyst datasets in relation to oil and gas price forecasts. At 31 July 2023 there was a reversal of amounts previously impaired of £177k (2022: £570k impairment). This predominantly related to the effect of the reduction in the estimated decommissioning liability for Crosby Warren.
- Deferred taxation (note 20) – assumptions regarding the future profitability of the Group and whether the deferred tax assets will be recovered.
- Decommissioning provision (note 21) – inflation and discount rate estimates (3% and 10% respectively) are used in calculating the provision, along with third party estimates of remediation costs.
- Share-based payments (note 23) – measurement of the fair value of options granted uses valuation techniques where active market quotes are not available. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.
- Reserves and resources (note 12) – reserves and resources are estimated based on management's view and third party formal reports and these estimates directly impact the recoverability of asset carrying values that are reported in the financial statements.

2. Operating segment analysis

In the opinion of the directors the Group has four reportable segments as reported to the chief executive officer, being the UK, Ireland, Morocco 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 2023

| | UK £000 | Ireland £000 | Morocco £'000 | New ventures £000 | Total £000 |
|--------------------------------|--------------|-----------------|------------------|----------------------|---------------|
| Revenue | 6,653 | – | – | – | 6,653 |
| Cost of sales | (3,448) | – | – | – | (3,448) |
| Impairment of producing fields | 177 | – | – | – | 177 |
| Cost of sales | (3,271) | – | – | – | (3,271) |
| Gross profit | 3,382 | – | – | – | 3,382 |
| Exploration write-off | – | – | (1,686) | – | (1,686) |
| Administrative expenses | (2,078) | 227 | – | (21) | (1,872) |
| Finance income | (4) | 4 | 9 | – | 9 |
| Finance costs | (717) | – | – | – | (717) |
| Loss before tax | 582 | 232 | (1,677) | (21) | (884) |
| Taxation | 32 | – | – | – | 32 |
| Loss for the year | 615 | 231 | (1,677) | (21) | (852) |

Segmental assets and liabilities as at 31 July 2023

| | UK £000 | Ireland £000 | Morocco £000 | New ventures £'000 | Total £000 |
|---------------------------------|----------------|-----------------|-----------------|-----------------------|----------------|
| Non-current assets | 7,380 | 2,183 | – | – | 9,563 |
| Current assets | 6,077 | – | – | – | 6,077 |
| Total assets | 13,457 | 2,183 | – | – | 15,640 |
| Non-current liabilities | (4,380) | – | – | – | (4,380) |
| Current liabilities | (762) | (19) | – | – | (781) |
| Total liabilities | (5,142) | (19) | – | – | (5,161) |
| Other segment items | | | | | |
| Capital expenditure – cash flow | 4,925 | 387 | 299 | – | 5,611 |
| Depreciation | 1,133 | – | – | – | 1,133 |
| Share-based payments | 48 | – | – | – | 48 |

Notes to the financial statements

continued

2. Operating segment analysis (continued)

Income statement for the year ended 31 July 2022

| | UK £000 | Ireland £000 | Morocco £'000 | New ventures £000 | Total £000 |
|--------------------------------|--------------|-----------------|------------------|----------------------|---------------|
| Revenue | 6,584 | – | – | – | 6,584 |
| Cost of sales | (3,806) | – | – | – | (3,806) |
| Impairment of producing fields | (570) | – | – | – | (570) |
| Cost of sales | (4,376) | – | – | – | (4,376) |
| Gross profit | 2,208 | – | – | – | 2,208 |
| Exploration write-off | – | – | – | – | – |
| Administrative expenses | (1,082) | 268 | – | (7) | (821) |
| Finance income | 205 | 1 | 33 | – | 239 |
| Finance costs | (238) | – | – | – | (238) |
| Profit before tax | 1,093 | 269 | 33 | (7) | 1,388 |
| Taxation | (32) | – | – | – | (32) |
| Profit for the year | 1,061 | 269 | 33 | (7) | 1,356 |

Segmental assets and liabilities as at 31 July 2022

| | UK £000 | Ireland £000 | Morocco £000 | New ventures £'000 | Total £000 |
|----------------------------|----------------|-----------------|-----------------|-----------------------|----------------|
| Non-current assets | 3,624 | 1,796 | 1,386 | – | 6,806 |
| Current assets | 9,941 | – | 263 | – | 10,204 |
| Total assets | 13,565 | 1,796 | 1,649 | – | 17,010 |
| Non-current liabilities | (4,168) | – | – | – | (4,168) |
| Current liabilities | (1,594) | (19) | – | – | (1,613) |
| Total liabilities | (5,762) | (19) | – | – | (5,781) |
| Other segment items | | | | | |
| Capital expenditure | 795 | 129 | 725 | – | 1,649 |
| Depreciation | 1,618 | – | – | – | 1,618 |
| Share-based payments | 20 | – | – | – | 20 |

100% of the total revenue (2022: 100%) relates to UK-based customers. Of this figure, one end customer (2022: one) commands more than 99% of the total, including sales made through operators to the end customer. UK revenue by site was as follows: West Firsby £489,000 (2022: £353,000); Crosby Warren £447,000 (2022: £651,000); Whisby £387,000 (2022: £696,000); and Wressle £5,330,000 (2022: £4,884,000).

Positive values for administrative expenditure in the Ireland segment in both 2023 and 2022 relate to the reversal of certain accrued licence expenditure which had previously been impaired.

3. Profit/loss before taxation

Profit/loss before taxation is stated after charging/ (crediting):

| | Note | 2023 £000 | 2022 £000 |
|--|------|--------------|--------------|
| Depreciation and amortisation on property, plant and equipment | 12 | 1,133 | 1,618 |
| Staff costs including directors | 5 | 1,371 | 806 |
| Diesel | | 174 | 163 |
| Business rates | | 37 | 43 |
| Site safety and security | | 98 | 89 |
| Exploration write-off | 11 | 1,686 | – |
| Impairment reversal / impairment | 12 | (177) | 570 |
| Fees payable to the auditor for the audit | | 78 | 70 |
| Operating leases – land and buildings | | 44 | 43 |

4. Directors' emoluments

Directors' salaries and fees – Company and Group

| | 2023 £000 | 2022 £000 |
|--|--------------|--------------|
| C Ahlefeldt-Laurvig (resigned 27 April 2023) | 18 | 26 |
| B O'Cathain | 44 | 41 |
| S Oddie | 344 | 258 |
| S Williams | 33 | 31 |
| W Holland | 230 | 27 |
| A Stuart (appointed 3 April 2023) | 53 | – |
| | 722 | 383 |

Directors' pensions

| | 2023 £000 | 2022 £000 |
|-----------------------------------|--------------|--------------|
| W Holland | 18 | 3 |
| A Stuart (appointed 3 April 2023) | 5 | – |
| | 23 | 3 |

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

Directors' share-based payments

| | 2023 £000 | 2022 £000 |
|-------------|--------------|--------------|
| S Oddie | 4 | 9 |
| B O'Cathain | 1 | 2 |
| S Williams | 1 | 2 |
| W Holland | 38 | 6 |
| | 44 | 19 |

The above represents the accounting charge in respect of share options. No share options were exercised during the period (2022: none).

Directors' total emoluments

| | Salaries and fees £000 | Social security costs £000 | Pensions £000 | Share-based payments £000 | Total 2023 £000 |
|--|------------------------------|----------------------------------|------------------|---------------------------------|-----------------------|
| C Ahlefeldt-Laurvig (resigned 27 April 2023) | 18 | 2 | – | – | 20 |
| B O'Cathain | 44 | 5 | – | 1 | 50 |
| S Oddie | 344 | 47 | – | 4 | 395 |
| S Williams | 33 | 3 | – | 1 | 37 |
| W Holland | 230 | 32 | 18 | 38 | 318 |
| A Stuart (appointed 3 April 2023) | 53 | 7 | 5 | – | 65 |
| | 722 | 96 | 23 | 44 | 885 |

| | Salaries and fees £000 | Social security costs £000 | Pensions £000 | Share-based payments £000 | Total 2022 £000 |
|--|------------------------------|----------------------------------|------------------|---------------------------------|-----------------------|
| C Ahlefeldt-Laurvig (resigned 27 April 2023) | 26 | 2 | – | – | 28 |
| B O'Cathain | 41 | 5 | – | 2 | 48 |
| S Oddie | 258 | 36 | – | 9 | 303 |
| S Williams | 31 | 3 | – | 2 | 36 |
| W Holland | 27 | 4 | 3 | 6 | 40 |
| | 383 | 50 | 3 | 19 | 455 |

Notes to the financial statements

continued

5. Employee information

Average monthly number of employees including directors – Group

| | 2023 Number | 2022 Number |
|----------------------------------|----------------|----------------|
| Management and technical | 7 | 6 |
| Field exploration and production | 5 | 4 |
| | 12 | 10 |

Staff costs – Group

| | 2023 £000 | 2022 £000 |
|--|--------------|--------------|
| Wages and salaries (including directors' emoluments) | 1,133 | 676 |
| Social security | 137 | 83 |
| Pensions | 53 | 27 |
| Share-based payments (note 23) | 48 | 20 |
| | 1,371 | 806 |

Average monthly number of employees including directors – Company

| | 2023 Number | 2022 Number |
|--------------------------|----------------|----------------|
| Management and technical | 7 | 6 |
| | 7 | 6 |

Staff costs – Company

| | 2023 £000 | 2022 £000 |
|--|--------------|--------------|
| Wages and salaries (including directors' emoluments) | 881 | 463 |
| Social security | 113 | 60 |
| Pensions | 37 | 12 |
| Share-based payment | 48 | 20 |
| | 1,079 | 555 |

6. Finance income

| | 2023 £000 | 2022 £000 |
|------------------------|--------------|--------------|
| Bank interest received | 9 | – |
| Foreign exchange gains | – | 239 |
| | 9 | 239 |

7. Finance expense

| | 2023 £000 | 2022 £000 |
|--|--------------|--------------|
| Unwinding of discount on decommissioning provision (note 21) | 416 | 233 |
| Foreign exchange loss | 264 | – |
| Other finance expense | 37 | 5 |
| | 717 | 238 |

8. Taxation

| | 2023 £000 | 2022 £000 |
|--|--------------|--------------|
| Movement in deferred tax asset (note 20) | 1,503 | 318 |
| Movement in deferred tax liability (note 20) | (1,503) | (318) |
| Current tax – UK | 32 | (32) |
| Tax credit/ (expense) | 32 | (32) |

UK corporation tax is calculated at 40% (2022: 40%) of the estimated assessable profit for the year being the applicable rate for a ring-fence trade including the Supplementary Charge of 10%. From 24 May 2022 a new UK tax, the Excess Profits Levy (“EPL”) applies to the Group, and it is levied at 25% of assessable EPL profits for the period from 26 May 2022 to 31 December 2022, and at 35% from 1 January 2023 onwards. The current tax credit for the year ended 31 July 2023 related exclusively to carry back of current year EPL losses against the prior year EPL profit.

| | 2023 £000 | 2022 £000 |
|--|--------------|--------------|
| (Loss)/profit before tax | (884) | 1,388 |
| Tax reconciliation | | |
| Loss / (profit) multiplied by the standard rate of corporation tax in the UK including Supplementary Charge of 40% (2022: 40%) | (354) | 555 |
| Expenses not deductible for tax purposes | 1,003 | 430 |
| Deferred tax asset not recognised | 192 | 235 |
| Accelerated capital allowances | (1,802) | – |
| Taxed at a different rate | (3,995) | – |
| Losses carried forward | 5,172 | – |
| Previously unrecognised tax losses utilised | (266) | (1,187) |
| Prior year adjustment | 18 | – |
| Other reconciling items | – | (1) |
| Total tax (credit)/expense | (32) | 32 |

9. Other comprehensive income

| | 2023 £000 | 2022 £000 |
|--------------------------------|--------------|--------------|
| Loss on investment revaluation | 5 | (18) |

On 8 May 2019, the Group disposed of its interest in PEDL143 to UK Oil & Gas Plc (“UKOG”) for consideration of 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. An irrevocable election has been made to record gains and losses arising on the shares as other comprehensive income. The investment was revalued at the year-end 2022 to £24,000 (0.09p per share) and was sold during the year for £29,000 (0.11p per share).

10. Earnings per share

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

As the Group made a loss from continuing operations in the year, any potentially dilutive instruments were considered to be anti-dilutive. Therefore, the diluted EPS is equal to the basic EPS for the year. As at 31 July 2023 there were 19,724,154 (2022: £37,607,821) potentially dilutive instruments in issue.

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

| | 2023 £000 | 2022 £000 |
|--|--------------|--------------|
| (Loss)/profit for the year attributable to the equity shareholders of the parent | (852) | 1,356 |
| Weighted average number of shares | | |
| For the purposes of basic EPS | 958,804,515 | 700,028,629 |
| For the purpose of diluted EPS | 958,804,515 | 737,636,450 |

Notes to the financial statements

continued

11. Intangible assets

Intangible assets – Group

| | 2023 £000 | 2022 £000 |
|--|--------------|--------------|
| At 1 August | 3,785 | 6,438 |
| Additions | 5,047 | 1,246 |
| Transferred to property, plant and equipment (note 12) | – | (3,899) |
| Exploration write-off | (1,686) | – |
| At 31 July | 7,146 | 3,785 |

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

| | 2023 £000 | 2022 £000 |
|------------------------------|--------------|--------------|
| Ireland FEL 4/19 (Inishkea) | 2,166 | 1,789 |
| UK PEDL181 | 112 | 81 |
| UK PEDL182 (Broughton North) | 34 | 34 |
| UK PEDL343 (Cloughton) | 108 | 92 |
| Morocco (Inezgane) | – | 1,379 |
| Serenity | 4,726 | 410 |
| Total | 7,146 | 3,785 |

Exploration write-off

| | 2023 £000 | 2022 £000 |
|--------------------|--------------|--------------|
| Morocco (Inezgane) | 1,686 | – |

The licence in Morocco expired in November 2022 and was not renewed. Resultantly the full carrying value of the intangible asset of £1,686k was impaired.

If the Group 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. Details of commitments are included in note 25.

12. Property, plant and equipment

Property, plant and equipment – Group

| | Furniture & computers £000 | Producing fields £000 | Right of use assets £000 | Total £000 |
|---|-------------------------------|--------------------------|-----------------------------|---------------|
| Cost | | | | |
| At 31 July 2021 | 5 | 10,887 | 67 | 10,959 |
| Additions | 13 | 928 | – | 941 |
| Transferred from intangible assets (note 11) | – | 3,899 | – | 3,899 |
| At 31 July 2022 | 18 | 15,714 | 67 | 15,799 |
| Additions | 38 | 290 | 24 | 352 |
| At 31 July 2023 | 56 | 16,004 | 91 | 16,151 |
| Depreciation, depletion and impairment | | | | |
| At 31 July 2021 | 3 | 10,552 | 35 | 10,590 |
| Charge for year | 1 | 1,601 | 16 | 1,618 |
| Impairment in year | – | 570 | – | 570 |
| At 31 July 2022 | 4 | 12,723 | 51 | 12,778 |
| Charge for year | 24 | 1,090 | 19 | 1,133 |
| Impairment reversal in year | – | (177) | – | (177) |
| At 31 July 2023 | 28 | 13,636 | 70 | 13,734 |
| Net book value | | | | |
| At 31 July 2021 | 2 | 335 | 32 | 369 |
| At 31 July 2022 | 14 | 2,991 | 16 | 3,021 |
| At 31 July 2023 | 28 | 2,368 | 21 | 2,417 |

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

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 based on engineering estimates and recent production experience. Brent crude price was based on a flat rate of \$75 per barrel.

The post-tax discount rate of 10% (pre-tax 16.67%) 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.

Based on the assumptions set out above, a net impairment reversal of £177,000 (2022: impairment of £570,000) was required. This was made up of a reversal of amounts previously impaired in relation to Crosby Warren due to a downward revision of the decommissioning liability, offset by an additional impairment in relation to West Firsby due to an upward revision in the decommissioning liability. The recoverable amount was calculated at a discount rate of 10% (2022: 10%).

Notes to the financial statements

continued

12. Property, plant and equipment (continued)

Sensitivity to key assumption changes

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

| | Impairment of producing fields £000 |
|-------------------------------------|---|
| Production decline rate | |
| +10% | – |
| -10% | – |
| Brent crude price per barrel | |
| \$65 flat | – |
| \$55 flat | – |
| Pre-tax discount rate | |
| 20% | – |
| 25% | – |

None of the variations result in an impairment individually.

Property, plant and equipment – Company

| | Furniture & computers £000 | Right of use assets £000 | Total £000 |
|------------------------|----------------------------------|--------------------------------|---------------|
| Cost | | | |
| At 31 July 2021 | 5 | 37 | 42 |
| Disposals | (1) | (80) | (81) |
| At 31 July 2022 | 18 | 37 | 55 |
| Additions | 37 | 24 | 61 |
| At 31 July 2023 | 55 | 61 | 116 |
| Depreciation | | | |
| At 31 July 2021 | 3 | 16 | 19 |
| Charge for year | 1 | 9 | 10 |
| At 31 July 2022 | 4 | 25 | 29 |
| Charge for year | 24 | 14 | 38 |
| At 31 July 2023 | 28 | 39 | 67 |
| Net book value | | | |
| At 31 July 2021 | 2 | 21 | 23 |
| At 31 July 2022 | 14 | 12 | 26 |
| At 31 July 2023 | 27 | 22 | 49 |

13. Investments – Group

Investment in shares

| | 2023 £000 | 2022 £000 |
|---------------------------------------|--------------|--------------|
| At 1 August | 24 | 42 |
| Write back/(write off) on revaluation | 5 | (18) |
| Disposal | (29) | |
| At 31 July | – | 24 |

On 8 May 2019, the Group disposed of its interest in PEDL143 to UK Oil & Gas Plc (“UKOG”) for consideration of 25,951,557 UKOG shares, which it still holds. At the time of the sale the shares were worth 1.156p each, resulting in a total value of £300,000. The entire investment was disposed of during the current year. The investment was revalued on the date of the disposal to the realised value of £29,000 (0.11p per share) (2022 year-end value: £24,000 (0.09p per share) with the profit being recorded in other comprehensive income (note 9).

Investments – Company

Investment in subsidiaries

| | 2023 £000 | 2022 £000 |
|------------------------|--------------|--------------|
| At 1 August | 2,343 | 2,343 |
| Current year additions | – | – |
| At 31 July | 2,343 | 2,343 |

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 previously held the interest in the FEL 2/13 licence.
- Europa Oil & Gas (Ireland East) Limited, which previously held 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 and previously held the interest in FEL 3/19 licences.
- Europa Oil & Gas (New Ventures) Limited, which previously held the interest in the Moroccan licence.

All six companies are registered in England and Wales, all having their registered office at 30 Newman Street, London W1T 1PT.

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 with registered office at 30 Newman Street, London W1T 1PT and is non-trading).

14. Inventories – Group

| | 2023 £000 | 2022 £000 |
|--------------|--------------|--------------|
| Oil in tanks | 19 | 36 |

Notes to the financial statements

continued

15. Trade and other receivables

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 2023 £000 | 2022 £000 | 2023 £000 | 2022 £000 |
| Current trade and other receivables | | | | |
| Trade receivables | 556 | 1,476 | – | – |
| Other receivables | 103 | 185 | 30 | 43 |
| Corporation tax receivable | 50 | – | – | – |
| Prepayments | 184 | 205 | 99 | 120 |
| | 893 | 1,866 | 129 | 163 |
| Non-current other receivables | | | | |
| Owed by Group undertakings (note 24) | – | – | 22,143 | 13,270 |

16. Restricted cash

| | Group | | Company | |
|-----------------------|--------------|--------------|--------------|--------------|
| | 2023 £000 | 2022 £000 | 2023 £000 | 2022 £000 |
| Cash guarantee | – | 263 | – | – |
| Security escrow funds | – | 6,621 | – | – |
| | – | 6,884 | – | – |

In the prior year, pursuant to the requirements of the farm-in agreement with i3 Energy plc in relation to UK offshore licence P.2358, Block 13/23c (“Serenity”), the Group deposited into an escrow account the full remaining committed funding requirement for its paying share of the 2023 appraisal well. During the current year funds were released from the escrow account in relation to expenditure incurred on the Serenity well. Upon completion of well operations all remaining escrow funds were released and transferred to the Group’s unrestricted cash accounts, and the escrow account was closed. The escrow account was treated as restricted cash in the prior year.

The guarantee that was required by the petroleum agreement with the National Office of Hydrocarbons and Mines (“ONHYM”) in Morocco for \$315,000 (£263,000) (2022: \$315,000 (£263,000)) was released and transferred to the Group’s unrestricted cash accounts during the year upon expiry of the licence. This account was treated as restricted cash in the prior year.

17. Trade and other payables

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2023 £000 | 2022 £000 | 2023 £000 | 2022 £000 |
| Current trade and other payables | | | | |
| Trade payables | 454 | 1,234 | 175 | 480 |
| Lease liabilities | 10 | 13 | 8 | 8 |
| Corporation tax payable | – | 32 | – | – |
| Other payables | 317 | 294 | 67 | 58 |
| | 781 | 1,573 | 250 | 546 |
| Non-current trade and other payables | | | | |
| Lease liabilities | 12 | 4 | 12 | 3 |

18. Borrowings

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 2023 £000 | 2022 £000 | 2023 £000 | 2022 £000 |
| Loans repayable in less than 1 year | | | | |
| Bounce Back loan | – | 40 | – | 40 |
| Total short-term borrowing | 40 | 40 | 40 | 40 |

In June 2020 the Group drew down on a Bounce Back loan for £50,000 under the Government's Covid 19 policies. The loan is repayable within six years of drawdown but with a 12-month holiday and repayments started in July 2021. The annual rate of interest is 2.5%. The loan was repaid in full in August 2022.

On 8 September 2022 the Company entered into a loan agreement with Union Jack Oil plc ("UJO"). The key features of the loan were: £1 million loan amount, 18-month term, interest rate of 11% per annum, repayable at any point during the term without penalty and secured against 10% interest in the Wressle field (PEDL180, and PEDL182). The loan was to provide additional liquidity during the drilling of the Serenity appraisal well. The loan was repaid in full on 18 October 2022.

19. Leases

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2023 £000 | 2022 £000 | 2023 £000 | 2022 £000 |
| Amounts recognised in the statement of comprehensive income: | | | | |
| Interest on right of use liabilities | (1) | (2) | (1) | (1) |
| Amounts recognised in the statement of cash flows: | | | | |
| Repayment of lease liabilities – principal | (20) | (14) | (15) | (8) |
| Repayment of lease liabilities – interest | (2) | (2) | (1) | (1) |
| Maturity analysis (undiscounted): | | | | |
| Amounts due within 1 year | (9) | (14) | (8) | (8) |
| Amounts due after more than 1 year & less than 5 years | (12) | (2) | (12) | (2) |
| Amounts due after more than 5 years | – | – | – | – |

The Group's right of use asset comprises the lease of four vehicles (note 12). The corresponding lease liability for the right to use leased assets is included within trade and other payables in the statement of financial position (note 17).

20. Deferred tax – Group

| | 2023 £000 | 2022 £000 |
|--|--------------|--------------|
| Recognised deferred tax asset: | | |
| As at 1 August | – | – |
| Charged to statement of comprehensive income | – | – |
| At 31 July | – | – |

The Group has a deferred tax liability of £2,935,000 (2022: £1,433,000) arising from accelerated capital allowances and a deferred tax asset of £2,935,000 (2022: £1,433,000) 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 (2022: £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 £7.3 million (2022: £5.2 million), which arises in relation to ring-fenced UK trading losses of £13.1 million (2022: £8.9 million), non-ring-fenced UK trading losses of £11.7 million (2022: £5.2 million), EPL losses of £4.1 million (2022: £nil) and subsidiary losses and carried forward capital expenditure of £7.3 million (2022: £6.7 million) that have not been recognised in the accounts as the timing of the utilisation of the losses is considered uncertain.

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

Notes to the financial statements

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21. Provisions – Group

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

Long-term provisions

| | 2023 £000 | 2022 £000 |
|---|--------------|--------------|
| As at 1 August | 4,164 | 3,393 |
| Charged to statement of comprehensive income (note 7) | 416 | 233 |
| Change in estimated phasing of cash flows | (212) | 538 |
| At 31 July | 4,368 | 4,164 |

The decrease in the estimated decommissioning provision resulted mainly from a reassessment of the estimated timings of when such decommissioning activities are undertaken at the end of their economic lives.

Sensitivity to key assumption changes

Variations to the key assumptions used in the decommissioning provision estimates would cause increases/(reductions) to the provision as follows:

| | Further decommissioning provision £000 |
|---|---|
| Inflation rate (current assumption 3%) | |
| 2% | (386) |
| 5% | 740 |
| Discount rate (current assumption 10%) | |
| 5% | 1,489 |
| 15% | (890) |

No provisions have been recognised in the Company.

22. Called up share capital

| | 2023 £000 | 2022 £000 |
|---|--------------|--------------|
| Allotted, called up and fully paid ordinary shares of 1p | | |
| At 1 August 2022: 956,466,985 shares (1 August 2021: 566,466,985) | 9,565 | 5,665 |
| Issued in the year: 2,717,193 shares (2022: 390,000,000 shares) | 27 | 3,900 |
| At 31 July 2023: 959,184,178 shares (2022: 956,466,985) | 9,592 | 9,565 |

Ordinary shares issued

| Date | Type of issue | Number of shares | Issue price | Raised gross £000 | Raised net of costs £000 | Nominal value £000 |
|-------------------|---------------|------------------|-------------|----------------------|-----------------------------|-----------------------|
| 20 September 2022 | Placing | 2,717,193 | 0.018 | 49 | 49 | 27 |
| | Total | 2,717,193 | | 49 | 49 | 27 |

The placing of ordinary shares during the year was to satisfy an exercise of warrants. 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 |

23. 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 41,550,628 ordinary 1p share options/warrants outstanding (2022: 41,207,821).

These are held as follows:

| Holder | 31 July 2023 | 31 July 2022 |
|--------------------------|-------------------|-------------------|
| B O’Cathain | 2,950,000 | 2,950,000 |
| S Oddie | 9,200,000 | 9,200,000 |
| S Williams | 2,500,000 | 2,500,000 |
| W Holland | 7,721,000 | 3,721,000 |
| Employees of the Group | 3,800,000 | 2,740,000 |
| Consultants and advisers | 15,379,628 | 20,096,821 |
| Total | 41,550,628 | 41,207,821 |

The fair values of options were determined using a Black Scholes Merton model or, in the case of those issued to advisers as part of the share issue, the fair value was deemed to be the share issue price. Volatility is based on the Company’s share price volatility since flotation.

In the year 6,520,000 options/warrants were granted, 2,280,000 expired, 1,180,000 were forfeited, and 2,717,193 were exercised (2022: 15,863,667 granted, 2,223,458 expired, 685,000 forfeited, none exercised).

| | 2023 Number of options | 2023 Average exercise price | 2022 Number of options | 2022 Average exercise price |
|--------------------------------------|------------------------------|-----------------------------------|------------------------------|-----------------------------------|
| Outstanding at the start of the year | 41,207,821 | 2.23p | 26,029,154 | 2.37p |
| Granted – employees/directors | 6,520,000 | 1.14p | 3,721,000 | 2.31p |
| Granted – advisers | – | – | 12,142,667 | 1.80p |
| Exercised | (2,717,193) | 1.80p | – | – |
| Expired | (2,280,000) | 2.31p | – | – |
| Forfeited | (1,180,000) | 3.66p | (685,000) | 7.00p |
| Outstanding at the end of the year | 41,550,628 | 2.04p | 41,207,821 | 2.02p |
| Exercisable at the end of the year | 23,599,628 | 1.56p | 18,096,821 | 1.64p |

The 6,250,000 options granted in June 2023 vest in three tranches of 2,083,333, one tranche after each of 12, 24 and 36 months, and are exercisable conditional upon the Europa Oil & Gas (Holdings) plc closing average mid-market share price being above 2.836p for 30 consecutive trading days, and expire on the sixth anniversary of the grant date. The inputs used to determine their values are detailed in the table:

| | |
|---------------------------|---------------|
| Grant date | 22 March 2023 |
| Number of options | 6,250,000 |
| Share price at grant | 1.1p |
| Exercise price | 1.25p |
| Volatility | 70.81% |
| Dividend yield | Nil |
| Risk free investment rate | 3.326% |
| Option life in years | 6 |
| Fair value per option | 0.71p |

Based on the fair values above, the charge arising from employee share options was £48,000 (2022: £20,000). The charge relating to non-employee share options was £Nil (2022: £Nil). The charge allocated directly to equity, relating to the issue of options on the issue of share capital, was £Nil (2022: £219,000).

Share options/warrants outstanding at the end of the period have exercise prices ranging from 1.14p to 8.9p and the weighted average remaining contractual life at the end of the period was 2.7 years (2022: 3.4 years).

Notes to the financial statements

continued

24. 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 – Group

| | Amortised cost 2023 £'000 | Amortised cost 2022 £'000 | Fair value through other comprehensive income 2023 £'000 | Fair value through other comprehensive income 2022 £'000 |
|-------------------------------|---------------------------------|---------------------------------|---|---|
| Investments | – | – | – | 24 |
| Trade and other receivables | 709 | 1,661 | – | – |
| Restricted cash | – | 6,884 | – | – |
| Cash and cash equivalents | 5,165 | 1,394 | – | – |
| Total financial assets | 5,874 | 9,939 | – | 24 |

Financial assets – Company

| | Amortised cost 2023 £'000 | Amortised cost 2022 £'000 | Fair value through other comprehensive income 2023 £'000 | Fair value through other comprehensive income 2022 £'000 |
|-------------------------------|---------------------------------|---------------------------------|---|---|
| Investments | 2,343 | 2,343 | – | 24 |
| Trade and other receivables | 30 | 43 | – | – |
| Restricted cash | – | – | – | – |
| Cash and cash equivalents | 121 | 249 | – | – |
| Total financial assets | 2,494 | 2,635 | – | 24 |

Financial liabilities – Group

| | Amortised cost 2023 £'000 | Amortised cost 2022 £'000 | Fair value through other comprehensive income 2023 £'000 | Fair value through other comprehensive income 2022 £'000 |
|------------------------------------|---------------------------------|---------------------------------|---|---|
| Trade and other payables | (771) | (1,556) | – | – |
| Lease liabilities | (22) | (17) | – | – |
| Loans | – | (44) | – | – |
| Total financial liabilities | (793) | (1,617) | – | – |

Financial liabilities – Company

| | Amortised cost 2023 £'000 | Amortised cost 2022 £'000 | Fair value through other comprehensive income 2023 £'000 | Fair value through other comprehensive income 2022 £'000 |
|------------------------------------|---------------------------------|---------------------------------|---|---|
| Trade and other payables | (242) | (538) | – | – |
| Lease liabilities | (20) | (11) | – | – |
| Loans | – | (40) | – | – |
| Total financial liabilities | (262) | (589) | – | – |

Credit risk

The Group is exposed to credit risk as all crude oil production is effectively 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 generally settled in full within the same month that invoices are issued. At 31 July 2023 trade receivables were £556,000 (2022: £1,476,000). 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 £1,574,000 comprising mainly two months of Wressle sales as at the end of February 2023 (2022 maximum exposure: £1,433,000). The Company exposure to third party credit risk is negligible. The intercompany balances with its subsidiaries have been appropriately provided for to account for potential impairments.

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.

| At 31 July | Group Trade and other payables | | Company Trade and other payables | |
|------------------|-----------------------------------|--------------|-------------------------------------|--------------|
| | 2023 £000 | 2022 £000 | 2023 £000 | 2022 £000 |
| 6 months or less | 781 | 1,573 | 250 | 546 |
| Total | 781 | 1,573 | 250 | 546 |

| At 31 July | Group Loans | | Company Loans | |
|----------------|----------------|--------------|------------------|--------------|
| | 2023 £000 | 2022 £000 | 2023 £000 | 2022 £000 |
| 6 to 12 months | – | 40 | – | 40 |
| 1 to 2 years | – | – | – | – |
| 2 to 5 years | – | – | – | – |
| Over 5 years | – | – | – | – |
| Total | – | 40 | – | 40 |

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 (note 18) and immaterial leases (note 19). All loans and leases are at fixed rates of interest and the Group and Company is not exposed to changes in interest rates.

Notes to the financial statements

continued

24. 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") or profit before tax ("PBT") to such movements in oil price. There would be a corresponding increase or decrease to net assets. There is no commodity price risk in the Company.

| Oil price | Month | 2023 Price US\$/bbl | 2023 PBT £000 | 2022 Price US\$/bbl | 2022 PBT £000 |
|-----------|-------------|---------------------------|---------------------|---------------------------|---------------------|
| Highest | August 2022 | \$98.70 | 1,227 | \$122.40 | 1,723 |
| Average | | \$83.30 | (2) | \$93.90 | (208) |
| Lowest | June 2023 | \$73.40 | (791) | \$69.50 | (1,864) |

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 PBT/LBT to similar movements in US\$ exchange. There would be a corresponding increase or decrease in net assets.

| US Dollar | Month | 2023 Rate US\$/£ | 2023 PBT £000 | 2022 Rate US\$/£ | 2022 PBT £000 |
|-----------|----------------|------------------------|---------------------|------------------------|---------------------|
| Highest | July 2023 | 1.286 | (410) | 1.376 | (373) |
| Average | | 1.212 | (30) | 1.313 | (76) |
| Lowest | September 2022 | 1.117 | 535 | 1.216 | 443 |

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

| Currency | Item | Group | | Company | |
|-----------|-----------------------------|--------------|--------------|--------------|--------------|
| | | 2023 £000 | 2022 £000 | 2023 £000 | 2022 £000 |
| Euro | Cash and cash equivalents | 18 | 92 | – | 3 |
| | Trade and other payables | (9) | (13) | (9) | (13) |
| US Dollar | Cash and cash equivalents | 5,102 | 1,322 | 75 | 3 |
| | Trade and other receivables | 556 | 1,435 | – | – |
| | Trade and other payables | (47) | (5) | (47) | (5) |
| Total | | 5,620 | 2,831 | (19) | (12) |

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 22) and third party borrowings (£Nil at 31 July 2023). 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.

24. Financial instruments (continued)

Intercompany loans

The loans to the subsidiaries are not 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 33% general wildcat exploration success rate, the loans to Europa Oil & Gas Inishkea have thus been deemed 67% provided. As a consequence of the Inezgane licence expiring and not being extended, the loans to Europa Oil & Gas New Ventures have been provided for in full (2022: provided 67%).

The loans to Europa Oil & Gas (Ireland West) and Europa Oil & Gas (Ireland East) have been provided in full due to the relinquishment of the licence held by the subsidiaries.

During the year to 31 July 2023 there has been a marked increase in the expected recoverable value of the Group's Crosby Warren producing asset, mainly as a result of an anticipated new revenue stream from handling water produced by the Wressle producing field. This led to a further partial reversal of previous provisions for impairment that had been made in relation to loans to Europa Oil Gas Ltd.

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 |
|---|--|--|--|--|--|----------------|
| Gross loan balances | | | | | | |
| Loan balance at 31 July 2021 | 20,178 | 763 | 1,480 | 1,024 | 762 | 24,207 |
| Movement in loan | 6,357 | 18 | 15 | 144 | 428 | 6,962 |
| Loan balance at 31 July 2022 | 26,535 | 781 | 1,495 | 1,168 | 1,190 | 31,169 |
| Movement in loan | 1,027 | (76) | (153) | 223 | (145) | 876 |
| Loan balance at 31 July 2023 | 27,562 | 705 | 1,342 | 1,391 | 1,045 | 32,045 |
| Provisions | | | | | | |
| Provision at 31 July 2021 | (20,178) | (763) | (1,480) | (687) | (511) | (23,619) |
| Movement in provision | 6,135 | (18) | (15) | (96) | (286) | 5,720 |
| Provision at 31 July 2022 | (14,043) | (781) | (1,495) | (783) | (797) | (17,899) |
| Movement in provision | 8,165 | 76 | 153 | (149) | (248) | 7,947 |
| Provision at 31 July 2023 | (5,878) | (705) | (1,342) | (932) | (1,045) | (9,952) |
| Net loan balance at 1 August 2021 | – | – | – | 337 | 251 | 588 |
| Net loan balance at 31 July 2022 | 12,492 | – | – | 385 | 393 | 13,270 |
| Net loan balance at 31 July 2023 | 21,684 | – | – | 459 | – | 22,143 |

25. Capital commitments and guarantees

As part of the licence extension for FEL 4/19 there is an outstanding commitment totalling €0.1 million that relates primarily to seismic reprocessing.

For PEDL180 the partners have agreed to drill two development wells and to construct a gas export line. These activities are contingent upon the budget being approved by the JV partnership, the timing of environmental permitting and the availability of a suitable rig. The total net cost to Europa for the work programme is estimated to be £0.5 million in 2023 and £3.7 million in 2024.

Notes to the financial statements

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26. Lease commitments

Europa Oil & Gas Limited pays annual site rentals for the land upon which the West Firsby and Crosby Warren oil field facilities are located. Future minimum lease payments are as follows:

| | 2023 £000 | 2022 £000 |
|------------------|--------------|--------------|
| Less than 1 year | – | 9 |
| 2-5 years | – | – |
| Total | – | 9 |

27. 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:

| | 2023 £000 | 2022 £000 |
|---|--------------|--------------|
| Europa Oil & Gas Limited | 336 | 236 |
| Europa Oil & Gas (Inishkea) Limited | 102 | 42 |
| Europa Oil & Gas (New Ventures) Limited | 26 | 19 |
| Total | 464 | 297 |

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

| | 2023 £000 | 2022 £000 |
|---|---------------|---------------|
| Europa Oil & Gas Limited | 21,684 | 12,492 |
| Europa Oil & Gas (Inishkea) Limited | 459 | 385 |
| Europa Oil & Gas (New Ventures) Limited | – | 393 |
| Total | 22,143 | 13,270 |

28. Post reporting date events

- Operations to install a jet pump for artificial lift on the Wressle-1 well are underway. The original completion was removed from the well and a new completion, including the sub-surface jet pump, has been successfully run in the well as of early October 2023. All that remains is for the required surface pump and associated flowlines and electrics to be installed, which is expected to be completed before the end of October 2023.
- PEDL 181 was relinquished during September 2023. The asset was not deemed to be adequately attractive. It had zero carrying value on the balance sheet.
- Applied to DECC to extend licence FEL 4/19 from 31 January 2024 to undertake further reprocessing and secure a farm-in partner.

For further information, please visit
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ckd

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