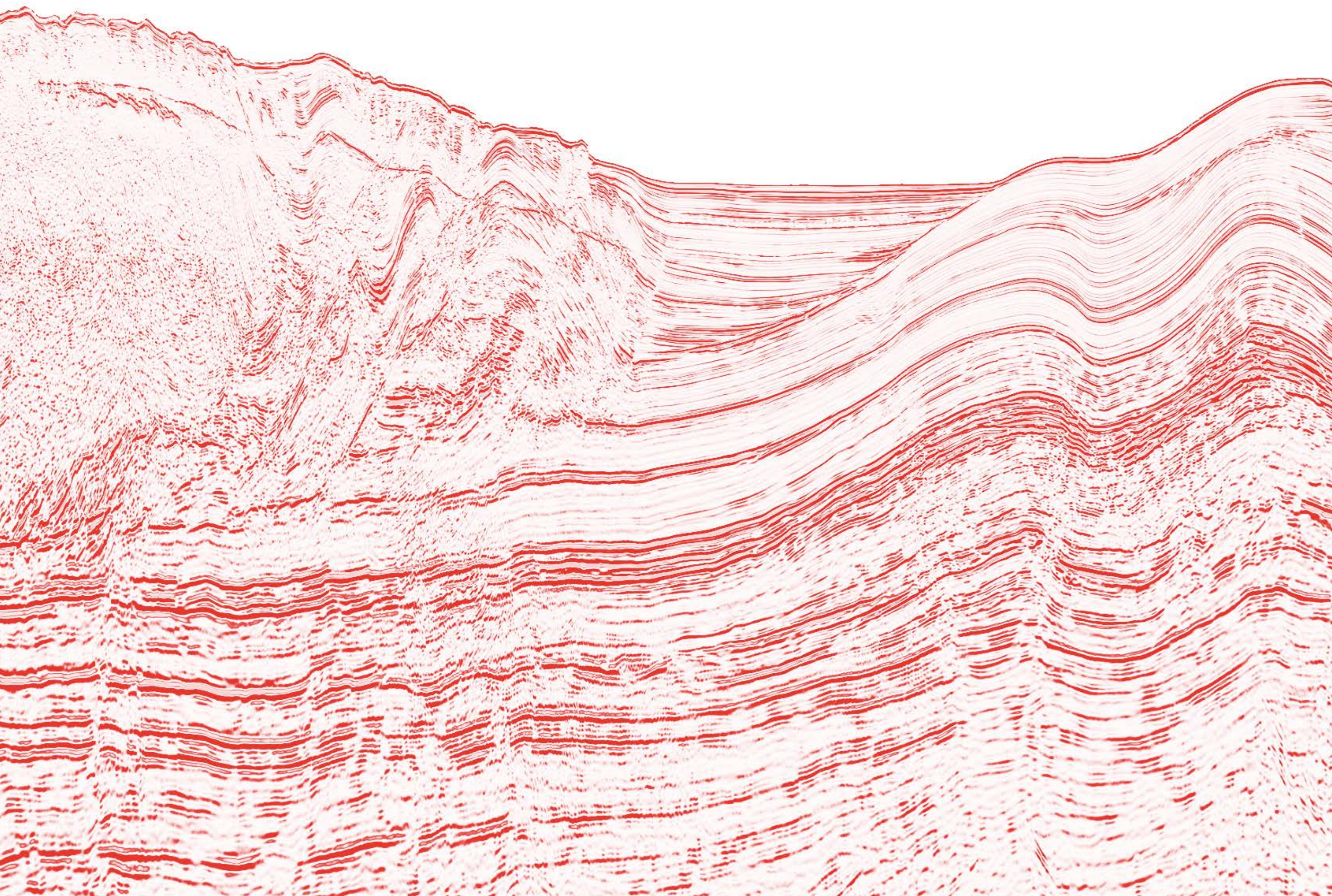
Annual Report and Accounts

for the year ended 31 July 2017

Introduction

Europa Oil & Gas (Holdings) plc is an AIM listed exploration and production company focused on Europe. It offers an attractive mix of high impact exploration offshore Ireland, supported by exploration, appraisal and production onshore UK.



Highlights

Operational highlights

Offshore Ireland

- Farm-out of 70% interest in Licensing Option ('LO') LO 16/19 in the South Porcupine Basin to a subsidiary of Cairn Energy plc which will fully fund a US$6 million work programme including the acquisition of 3D seismic over the licence which started in July 2017.
- Discussions ongoing with a number of large operators with regards to farming-out Europa's leading offshore Ireland licence position, which includes seven licences exposed to six different play types in three basins.
- Extension of phase 1 of Irish South Porcupine Basin Frontier Exploration Licence ('FEL') FEL 2/13 and FEL 3/13 to July 2019 to enable completion of 3D seismic reprocessing and subsequent detailed mapping and maturation of prospects to drillable status.
- Issued the results of an independent Competent Person's Report ('CPR') prepared by ERC Equipoise Ltd ('ERCE'), estimating gross mean un-risked Prospective Resources of 553 mmboe across two new pre-rift prospects, Ervine and Edgeworth, in LO 16/2.
- Issued updated prospect inventory for FEL 2/13 based on in-house work identifying nine oil prospects with 1.1 billion boe including three new prospects Kiely, Keane and Kilroy.
- Converted LO 16/2 into a 15 year Frontier Exploration Licence FEL 1/17 effective from 1 July 2017.
- Commenced Pre-Stack Depth Migration ('PSDM') reprocessing project over FEL 2/13, FEL 3/13 and FEL 1/17 with intent of improving mapping and interpretation of pre-rift prospects.

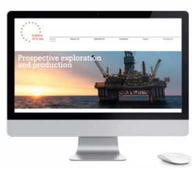
Onshore UK

- Sale of 3.34% interest in PEDL180 & 182 (which includes the Wressle discovery) to Union Jack Oil plc ('Union Jack') for £0.6 million in cash.
- Agreed sale, conditional on planning approval, of 10% interest in PEDL180 & 182 to Upland Resources (UK Onshore) Limited ('Upland') for up to £1.85 million: £1.3 million in cash, £0.3 million in Upland shares and a contingent consideration of £0.25 million in Upland shares.
- Commencement of production at Wressle delayed pending appeal of planning decision – Planning Inspectorate appeal due in November 2017.
- Increase in Europa's interest in PEDL299 (Hardstoft oil field) and PEDL343 (Cloughton gas discovery) to 25% and 35% respectively following acquisition of Shale Petroleum (UK) Limited ('Shale Petroleum').
- Farm-out of 12.5% interest in PEDL143 ('Holmwood') to Angus Energy – Europa retains 20% interest and is carried on upcoming well costs up to a cap of £3.2 million.

Post reporting date events

- In September 2017 we announced an extension to the date by which the conditions of the Upland agreed sale of 10% interest in Wressle are to be satisfied to 28 February 2018.
- In October 2017 Surrey County Council approved a security fence at the Holmwood site but deferred a decision on traffic conditions.

Latest online



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Chairman's statement

"We focus on our target to deliver six drill ready prospects by the end of 2018, each of which will have the potential to be a company-maker.

Europa is positioned at the heart of two active and exciting exploration plays:
- **Offshore Ireland.**
- **Onshore UK, specifically the Weald Basin.**

Offshore Ireland

The arrival of blue chip operators of the calibre of Statoil, ExxonMobil, Total, Nexen and Woodside in recent years has led to the major uptick in exploration activity that we expected. Initially this centred on the acquisition of 3D seismic over awarded acreage but has since moved on to drilling activity. The diversity of play types in the region has acted as a draw for the majors. The prolific Cretaceous Fan play as seen offshore West Africa, the Cretaceous shelf discoveries similar to those offshore Senegal and the Syn-rift play as seen offshore Newfoundland are analogues for three of six plays being pursued in Ireland.

Having gained a presence in Atlantic Ireland in 2011, Europa has been able to capitalise on its first mover advantage to build and advance a leading portfolio of seven licences exposed to all six plays currently being targeted. To date, we have identified more than four billion barrels of oil equivalent and 1.5 tcf gas of gross mean un-risked prospective and indicative resources across our licences, half of which have been audited by a Competent Person. As a result, we have been actively involved in the spate of deals that have taken place across the region during the year, starting in March 2017 with our own farm-out of a 70% interest in LO 16/19 to Cairn Energy in return for a carry on a US$6 million work programme. This included the shooting of 3D seismic during summer 2017 and we look forward to receiving the processed data in summer 2018 and delivering a prospect inventory by next calendar year end.

At the same time, Cairn farmed into the recently drilled Providence Resources well, which was targeting the Paleocene and Cretaceous Fan prospects. They were subsequently joined by Total. Deals were also struck in the Greater Corrib area with the acquisition by a Canadian pension fund of an interest in the producing Corrib gas field, as well as Nexen farming into Faroe Petroleum's neighbouring licence.

History shows that new plays are rarely opened up by the first well drilled, and, following the result of the Providence Druid/Drombeg well, that is the case with the Cretaceous Fan and Paleocene plays in the South Porcupine Basin. As far as Europa's portfolio is concerned, the result is only relevant to two of the six plays we are exposed to, but even here the Druid/Drombeg well offers encouragement by proving the presence of sandstone reservoir in the Drombeg Cretaceous fan. In our opinion, this has the potential to de-risk the reservoir presence component of other mid-Cretaceous aged fans in the South Porcupine including our three mid-Cretaceous aged fans: Wilde; Beckett and Shaw, in FEL 3/13. In addition, the presence of bitumen could also imply the presence of source rock. We expect to learn more about what the well encountered as and when news is released to the market.

Europa is not sitting idly waiting on the results of other operators' activity. Work continues to be carried out across all seven of our licences, as we focus on our target to deliver six drill ready prospects by the end of 2018, each of which will have the potential to be a company-maker. We currently have two prospects at drill ready status. Shareholders can therefore expect more news flow as we home in on our target in the months ahead.

Onshore UK

As with offshore Ireland, onshore UK Europa has a diversified portfolio of licences including production, development and appraisal projects in the East Midlands and high impact exploration in the Weald Basin. We were expecting to see net production double to over 200 bopd during the year as the Wressle discovery was brought on stream. However, two applications for planning consent were refused by North Lincolnshire County Council during the year, despite being recommended by its own planning officers. The case for Wressle is strong and we look forward to the forthcoming appeal with the Planning Inspectorate in November 2017. Subject to a successful outcome, Wressle could be producing 500 bopd gross in 2018.

While a near-doubling in our production to over 200 bopd will be a milestone event for Europa onshore UK, it could be overshadowed by developments in the Weald Basin. With planning permission in place, we are moving forward to drill a well to test the 5.6 million barrel Holmwood prospect. Thanks to the deals we struck during the last 18 months, our share of the well costs is carried up to a cap of £3.2 million. In addition to the proven producing Portland sandstone reservoir, Holmwood is expected to encounter the Kimmeridge limestone, which has been the cause of much excitement at the nearby Horse Hill discovery. Having produced at Horse Hill, albeit for a limited period, at over 1,300 bopd, the Kimmeridge represents a new play in the basin which is now due to be tested at Horse Hill and the nearby Brockham field shortly. Together with the drilling of Holmwood, the months ahead promise to be an exciting period for UK onshore exploration, and once again Europa will be at the heart of it.

At the reporting date, we have £3.6 million cash and subject to a successful appeal at Wressle we will receive a further £1.1 million cash and £0.3 million in paper with completion of the Upland transaction that will see our interest in Wressle move to 20%. Thanks to the deals we have secured during the year and the support we have received from shareholders, the various work streams that are underway across our asset base are fully funded. Rather than piggy-backing on the success of other operators in two hydrocarbon hotspots where we have a strong presence, Europa is well placed to generate value for shareholders from its own high impact activity across its own licences in the year ahead and we look forward to providing updates on progress made.

Financial performance

We have seen a reduction in administrative expenses from non-recurring 2016 items and other savings, which has reduced our pre-tax loss to £675,000 (2016: loss £1,904,000 after £1,162,000 exploration write-off in Béarn des Gaves). The post-tax loss for the year also fell to £491,000 (2016: loss £1,638,000).

All of this has been against a backdrop of modest growth in oil prices which has seen the price achieved for sales during the 12 months to end July 2017 average US$48.9 per barrel (2016: US$41.5).

The slight rise in sterling equivalent oil price achieved has helped to increase our revenues and the average of 113 boepd recovered from our UK onshore fields generated £1.6 million in revenues (2016: 123 boepd and £1.3 million). Net cash spent on operations was £0.25 million (2016: cash spent £0.32 million). Our cash balance at the end of July 2017 was £3.6 million (31 July 2016: £1.7 million).

Europa's board continues its policy of seeking to maximise efficiencies and manage our cost and asset base to ensure we remain fully funded for future operations. We avoid incurring debt for our activities, preferring instead to Farm-out exploration obligations and/or monetise assets wherever possible and, although the market for Farm-outs is challenging, we believe we have an excellent portfolio of assets and that we will continue to be successful in this strategy during 2017/18.

In June we raised £3.4 million (£3.1 million after expenses) by a placing of shares to new and existing shareholders and an open offer to existing shareholders. I would like to thank shareholders for their support in this equity offering.

The specific geological work on our Irish acreage that is expected to be funded is as follows:

- PSDM processing of 3D seismic over FEL 3/13 and FEL 1/17 with interpretation work to take the identified prospects to drillable status.
- PSDM processing of 3D seismic over FEL 2/13 with interpretation work to take the identified prospects to drillable status and complete a CPR.
- Acquiring existing 3D seismic volumes and well data for LO 16/20 and LO 16/21, reprocess and remap leading to completion of a CPR.
- Reprocessing existing 2D seismic for LO 16/22 with interpretation work to mature identified prospects to drillable status.

Financial performance

Group revenue

£1.6m

(2016: £1.3m)

Pre-tax loss for the year

£0.7m

(2016: loss £1.9m after £1.2m exploration write-off in Béarn des Gaves)

Post-tax loss for the year

£0.5m

(2016: loss £1.6m)

Cash used in operations

£0.26m

(2016: cash used £0.32m)

Net cash balance as at 31 July 2017

£3.6m

(31 July 2016: £1.7m)

The Directors believe this near-term work programme will aid Europa in its aim of attracting farm-in partners.

In the UK, proceeds will be used as follows:

- Funding equity share of a 3D seismic survey over the Cloughton gas discovery in PEDL343 in order to optimise drilling location.
- Funding equity share of a 2D seismic survey over the Hardstoft oil field in PEDL299 so as to detail the structure and locate a well.

I would like to thank the management, operational teams, my fellow Board members and our advisers for their hard work over the year.

Finally I would like to reiterate my thanks to our shareholders for their continued support during what has been another challenging year for the oil and gas sector as a whole, but particularly for small exploration and production companies.

Colin Bousfield
Non-Executive Chairman

27 October 2017

Our strategy

Operations and development

The principal activity of the Group is investment in oil and gas exploration, development and production. The Group's assets and activities are located in Ireland and the United Kingdom. The Board regards Atlantic Margin Ireland and onshore UK as core areas where we are actively seeking to build our portfolio. The Board has considered and will continue to consider investments in onshore Europe, North Atlantic and the Mediterranean.

Creating value

Europa's objective is to generate substantial shareholder value by finding and producing oil and gas.

Our key performance indicators

Non-financial KPIs

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

Non-financial analysis is provided in the Operations review (page 8)

Financial KPIs

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

Financial analysis is provided in the Chairman's Statement (page 3)

Strategy

To increase the probability of success whilst managing risk, a disciplined approach to the management of the Company's hydrocarbon assets is applied at all stages of the life of a licence. The Company is committed to taking commercial decisions on the entire asset base with management focused on exiting projects at the point of maximum value for investors through the rigid application of a drill, drop, dilute or divest policy. Europa's highly prospective exploration portfolio is actively managed with each project being subjected to first class technical as well as commercial analysis allowing management to make informed decisions on whether individual projects ought to be pushed down the exploration and production funnel or out of it.

Management recognises the need to repopulate and replenish the asset base with new licences as existing projects are progressed along the development curve. An acceptable risk/reward profile for an individual project depends on its impact on the overall portfolio, the balance of assets at the time and the objective of the Company. Industry leading portfolio management methodologies are deployed to ensure the risk/reward trade-off inherent in the portfolio is transparent to ensure shareholder value is maximised.

Europe is the current geographic focus. However management is prepared to evaluate and acquire quality assets wherever they become available preferably in countries that are politically stable, have transparent licensing processes, and offer acceptable commercial terms.

Strategy in action

Read our farm-out policy

page 6

Read more on our operations

page 8

Our portfolio

Country	Area	Licence	Field/ Prospect	Operator	Equity	Status
Ireland	South Porcupine	FEL 2/13	9 prospects	Europa	100%	Exploration
		FEL 3/13	Beckett, Wilde, Shaw	Europa	100%	Exploration
		FEL 1/17	Ervine, Edgeworth, PR3	Europa	100%	Exploration
		LO 16/19	2 leads	Cairn	30%	Exploration
	Slyne basin	LO 16/20	2 leads	Europa	100%	Exploration
		LO 16/21	4 leads	Europa	100%	Exploration
	Padraig basin	LO 16/22	6 leads	Europa	100%	Exploration
UK	East Midlands	DL 003	West Firsby	Europa	100%	Production
		DL 001	Crosby Warren	Europa	100%	Production
		PL 199/215	Whisby-4	BPEL	65%	Production
		PEDL180	Wressle	Egdon	30%[1]	Development
		PEDL181		Europa	50%	Exploration
		PEDL182	Broughton North	Egdon	30%[2]	Exploration
		PEDL299	Hardstoft	Ineos	25%	Field rejuvenation
		PEDL343	Cloughton	Third Energy	35%	Appraisal
	Weald	PEDL143	Holmwood	Europa	20%	Exploration
	SNS	Block 41/24	Maxwell	Europa	50%	Promote

1 Reducing to 20% following the farm-out to Upland.
2 Reducing to 20% following the farm-out to Upland.

Europa's farm-out policy

What is a Farm-out/why Farm-out licenses?
A Farm-out is an agreement between the holder of a hydrocarbon licence (the farmor) and another company who wishes to take an equity interest in the licence (the farminee) usually in exchange for funding of a work programme. Farm-outs may be conducted at any stage in the lifecycle of a project but are more commonly found at the exploration and appraisal stages.

Farm-outs are often used by junior oil companies as a means of funding exploration expenditure in a specific licence. For example a junior oil company may be first mover in a basin and have obtained a 100% interest in a licence that is considered attractive by potential partners. A farminee might offer to pay 100% of the costs of drilling an exploration well to obtain a 75% interest in the licence. In this example the farmor will pay zero costs for drilling the exploration well, this is sometimes called a free carry. Subject to negotiation the farmee may also pay the farmor an unpromoted 75% share of any previously incurred exploration costs on the licence (back costs).

Farm-out is an attractive means of funding work:

1. The farmor only takes dilution on their equity interest in the licence and this may be preferable to raising money in capital markets and taking dilution at a corporate level through issuing new shares.

2. Bringing in a partner may provide an element of independent technical endorsement.

3. Exploration and commercial risk is mitigated.

4. The farmee may bring technical, commercial or other expertise that is of strategic interest to the farmor.

5. If operatorship is taken by the farmee then this may release human resources in the farmor who can redirect work on to other projects.

Europa prefers not to undertake any drilling at 100% equity. We would rather participate in three drill projects at 33% interest than one at 100%. Exploration is inherently risky. Low exploration risk is one in three meaning if nine wells are drilled the last three might be successful. Farm-out enables portfolio diversification and mitigation of geological risk and financial exposure.

Europa's farm-outs this year

PEDL143
The farm-out of 12.5% interest to Angus, on the same terms as last year's 7.5% deal with Union Jack Oil, leaves Europa with 20% interest and operatorship and a carry on a well up to £3.2 million.

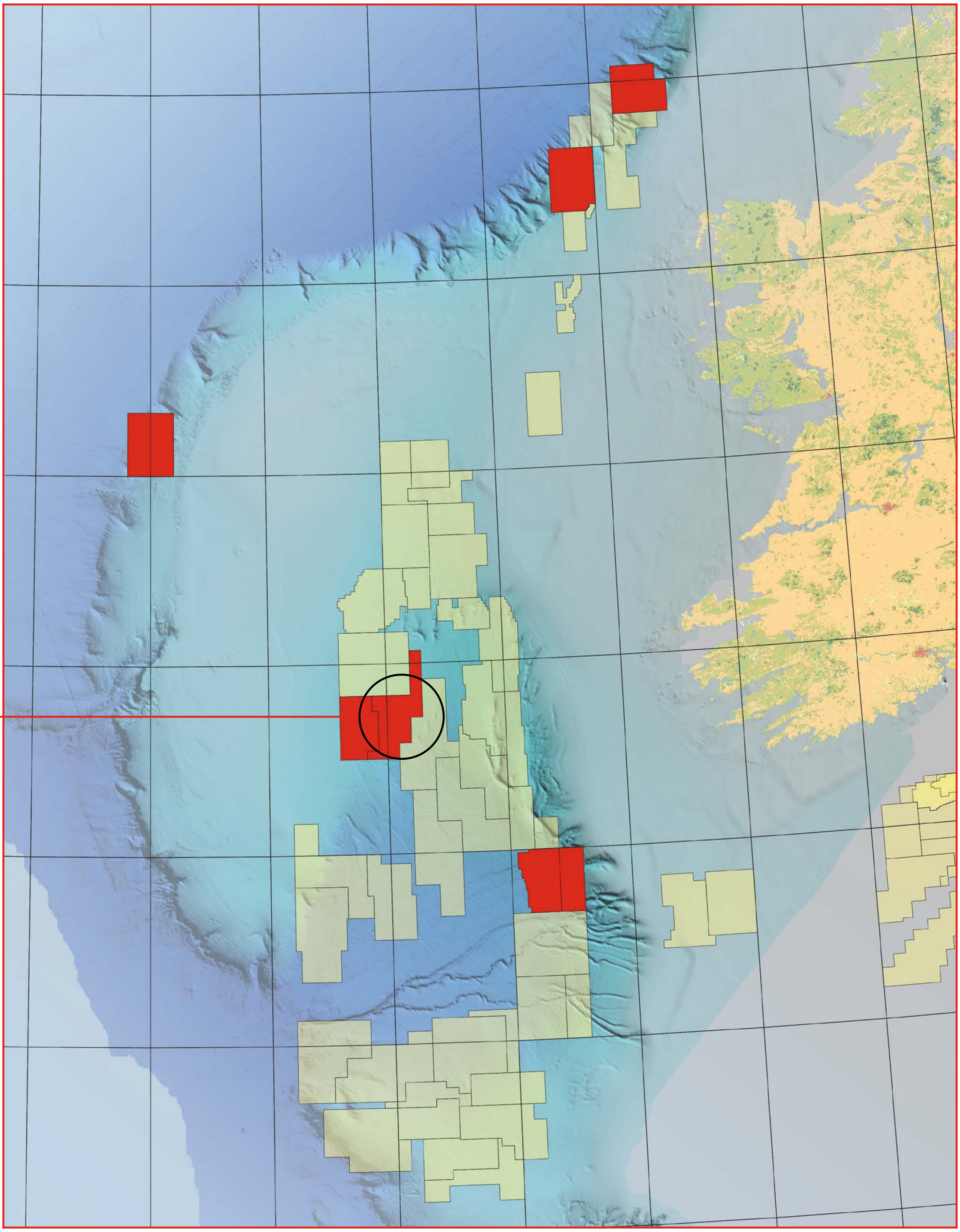
Interest after farm-out

Angus Energy	Europa Oil & Gas
12.5%	20%

LO 16/19
Under the terms of the farm-out, Cairn agreed to fully fund a US$6 million work programme including a 3D seismic survey over LO 16/19 to further mature the prospect inventory towards drillable status.

Interest after farm-out

Cairn	Europa Oil & Gas
70%	30%



Strategic report

Operations

Ireland

Summary resources

	Oil (million boe)	Gas (tcf)
Gross mean un-risked prospective resources	4,714	1.5
Net mean un-risked prospective resources	4,223	1.5

				Gross mean un-risked prospective resources	
Licence	**Area km²**	**Basin**	**Term**	**Oil (million boe)**	**Gas (tcf)**
FEL 2/13	768	South Porcupine	Phase 1 of 15 year	1,124	–
FEL 3/13	781	South Porcupine	Phase 1 of 15 year	1,492	–
FEL 1/17	523	South Porcupine	Phase 1 of 15 year	898	–
LO 16/19	976	South Porcupine	2 year	700	–
LO 16/20	945	Slyne	3 year	–	1.0
LO 16/21	832	Slyne	3 year	–	0.5
LO 16/22	992	Padraig	3 year	500	–
Total	**5,818**			**4,714**	**1.5**

Exploration

Europa is a leading operator in offshore Ireland exploration. The Company holds seven licences covering 5,818 sq km, six play types, three basins, and over 30 prospects and leads which potentially hold gross mean un-risked prospective resources ('GMUPR') of more than four billion barrels of oil equivalent and 1.5 TCF of gas (Europa estimates). The table below details Europa's Irish licences and the relevant basins and play types they are exposed to:

The diversity of play types as well as the potential volumes of hydrocarbons being targeted has attracted majors such as ExxonMobil, Statoil, ENI, BP, Nexen, and Woodside to the basin, initially via the Atlantic Ireland Licensing round but lately via farm-ins including Europa's own LO 16/19 where the Company has partnered with Cairn Energy. As the number and quality of companies operating in the region has increased, so too has the number of work programmes that are underway, predominantly involving the acquisition and processing of 3D seismic.

		Basin						
		South Porcupine				Corrib (Slynne)		Padraig
		FEL 2/13	FEL 3/13	FEL 1/17	LO 16/19	LO 16/20	LO 16/21	LO 16/22
Play	Paleocene		■		■			
	Cretaceous Fan	■	■		■			
	Cretaceous Shelf	■						
	Syn-rift	■	■	■				■
	Pre-Rift	■	■	■		■	■	■
	Triassic gas	■				■	■	

■ play type possible

Exploration (continued)

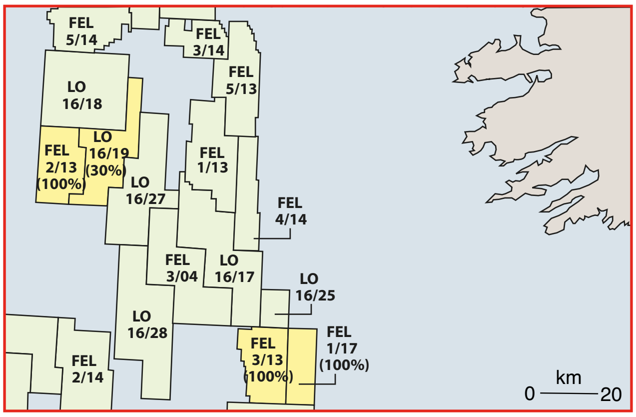
Europa expects this activity will lead to up to a dozen wells being drilled across the region over the next five or six years. Already, the first of these, the 53/6-A exploration well on the western side of the South Porcupine Basin in FEL 2/14, was drilled post period end between July and September by Providence Resources in partnership with Cairn Energy, Sosina and Total S.A. This exploration well was the first to evaluate both the Paleocene and the Cretaceous fan plays in the South Porcupine basin, and targeted two prospects: the Paleocene prospect 'Druid' and the Cretaceous fan prospect 'Drombeg'.

While live hydrocarbons were not encountered by the well at either of the two prospects, the presence of sandstone reservoir at Drombeg, together with the possible presence of bitumen in drill cuttings may provide some encouragement for the reservoir and source elements of the Cretaceous Fan hydrocarbon play (see Providence's announcement on 11 September 2017). The Cretaceous Fan play comprises Early Cretaceous turbidite sandstone reservoirs charged by mature Late Jurassic and possibly Early Cretaceous source rocks and contained in stratigraphic traps with elements of structural closure. Europa has mapped a number of Cretaceous fan prospects on 3D seismic in FEL 3/13 and LO 16/19 and the Board will be considering the implications of the Drombeg result on Europa's prospectivity. Europa has no licence interest in FEL 2/14 and any thoughts Europa form will be based on public domain information about Drombeg, together with the Company's in-house knowledge of the South Porcupine basin and hydrocarbon plays.

Out of the seven licences Europa holds offshore Ireland, four are located in the South Porcupine basin targeting prospectivity on multiple levels. As well as the Cretaceous Fan play, Europa is targeting the Cretaceous Shelf, pre-rift and syn-rift plays in the east on FEL 3/13 and FEL 1/17 (both 100% held) and in the west on FEL 2/13 (100%) and LO 16/19 (30% following the Cairn farm-in).

In addition, LO 16/20 and LO 16/21 are located in the Greater Corrib area of the Slyne basin in the vicinity of the producing Corrib gas field and are targeting the Triassic gas play. Europa's seventh licence lies in the Padraig basin, a remnant Jurassic basin on the eastern margin of the Rockall Trough, which provides the Company with exposure to the conjugate margin syn-rift and pre-rift plays analogous to the Flemish Pass play offshore Newfoundland.

Work programmes are underway across all of Europa's offshore Ireland licences to increase the number of drill ready prospects within the Company's portfolio to six from the current two (Wilde and Beckett in FEL 3/13) by the end of 2018. In parallel with this work, Europa continues to interact with prospective partners with whom it can progress its licences, particularly those in the South Porcupine Basin.



South Porcupine Basin: FEL 3/13 (Wilde, Beckett & Shaw)
A Competent Persons Report ('CPR') by ERC Equipoise confirmed gross mean un-risked prospective resources of 1,492 million boe and un-risked NPV10 of US$7 billion across three Cretaceous fan prospects on FEL 3/13: prospects Wilde (gross mean un-risked prospective resources 428 million boe), Beckett (749 million boe) and Shaw (315 million boe). Prospect Wilde is considered drill ready with a geological chance of success of one in five. Drill costs are estimated to be US$37 million excluding mobilisation and demobilisation.

During the period, the Irish Government granted its consent for the extension of Phase 1 of Frontier Exploration Licence 3/13 by two years to 4 July 2019 to carry out further technical work on the licence to mature existing prospects and leads, particularly in the pre-rift and syn-rift plays, to drill ready status. The work, which includes PSDM of 3D seismic data previously acquired in 2013, may also de-risk existing drill-ready prospects in the Cretaceous fan play.

South Porcupine Basin: FEL 1/17 (Ervine, Edgeworth, PR3)
In June 2017, the Irish Government approved an application to convert LO 16/2 to FEL 1/17. FEL 1/17 covers approximately 522 sq km of ground and adjoins the eastern boundary of FEL 3/13. Europa has identified three new pre-rift prospects in the licence with combined 898 million boe based on its proprietary 3D seismic which covers both FEL 1/13 and FEL 3/13. The pre-rift play comprises Jurassic reservoirs in tilted fault block structures, the analogue is the Brent Province in the North Sea. Europa is conducting a 3D reprocessing project on its propriety data over both FEL 3/13 and FEL 1/17 to de-risk the pre-rift prospects in both licences. This was completed during Q4 2017.

Operations (continued)

Ireland (continued)

Exploration (continued)

South Porcupine Basin: FEL 2/13 (Doyle A,B,C Kilroy, Keane and Kiely)
To date, nine prospects in the pre-rift, syn-rift Cretaceous apron and Cretaceous slope plays have been identified on Europa's 100% owned FEL 2/13. Combined gross mean un-risked prospective resources are 1.1 billion boe. Europa is conducting a 3D reprocessing project over FEL 2/13 with the intent of improving prospect definition and maturing prospects to drill ready status. This work is expected to be completed during H1 2018 and will lead to a revised prospect inventory with emphasis on the pre-rift, syn-rift and Cretaceous shelf prospects. Europa has identified a number of Cretaceous submarine channels on FEL 2/13, which cross the licence from west to east on its proprietary 948 sq km 3D seismic survey.

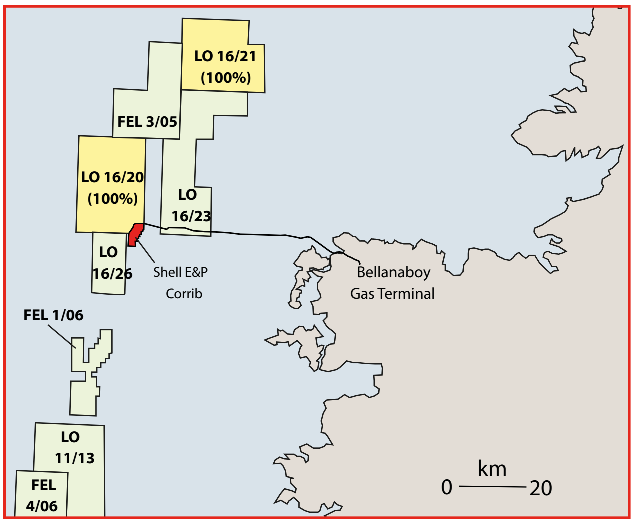
During the period, the Irish Government granted its consent for the extension of Phase 1 of Frontier Exploration Licence 2/13 by two years to 4 July 2019 to enable the Company to complete the above work programme.

South Porcupine Basin: LO 16/19
The channels identified in FEL 2/13 feed submarine fans developed in LO 16/19. The seismic architecture of the channels in FEL 2/13 contain features consistent with sandstone deposition and Europa believes that these sandstones are also deposited in the fans identified on LO 16/19. There is potential for several Cretaceous submarine fans with gross mean un-risked prospective resources of 700 million boe. In addition, evidence of gas escape features on seismic and sea bed pock marks suggest the presence of an active source rock. Well 43/13-1, which was drilled by BP in 1998 approximately 20km from LO 16/19, saw oil shows and encountered source rocks.

On 8 March 2017, Europa announced the farm-out of a 70% interest in LO 16/19 to leading independent Cairn Energy plc. Under the terms of the farm-out, Cairn agreed to fully fund a US$6 million work programme including a 3D seismic survey over LO 16/19 to further mature the prospect inventory towards drillable status. The TGS Crean multi-client 3D survey is currently being acquired and is on course to be completed in the near term. Delivery of the processed dataset is expected in summer 2018 after which geological and geophysical interpretation is expected to lead to a detailed prospect inventory over LO 16/19 towards the end of 2018.

Below is a table summarising the GMUPR in million boe across Europa's four licences in the South Porcupine Basin:

Licence	GMUPR	Source
FEL 3/13	1,492	ERCE CPR
FEL 1/17	898	ERCE CPR and Europa in-house
FEL 2/13	1,124	Europa in-house
LO 16/19	700	Europa in-house
Total	**4,214**	



Slyne Basin: LO 16/20 and LO 16/21
LO 16/20 and 16/21 are located in the Greater Corrib area of the Slyne basin adjacent to the producing Corrib gas field where substantial gas infrastructure is already in place. The field has a gross plant capacity of approximately 350 million cubic feet of natural gas per day, provides approximately 60% of Ireland's natural gas consumption and constitutes approximately 95% of Ireland's gas production. As a result, unlike licences in the Porcupine Basin, LO 16/20 and 16/21 are targeting a low risk infrastructure led play in the Greater Corrib area and represent exploration in a proven basin comprised of Triassic sandstone reservoirs in tilted fault block structures with gas generated from Carboniferous source rocks.

The licences are partially covered by 3D seismic and extensively covered by historic 2D seismic. Based on the data, Europa has identified a number of prospects and leads on both licences with estimated gross mean un-risked prospective and indicative resources of 1.0 tcf gas on LO 16/20 and 0.5 tcf gas on LO 16/21. Historic 3D seismic over the licences has been obtained and work has commenced with the intent of maturing these leads to drillable prospect status. A farm-in partner will be sought for both licences to drill a low-risk exploration well. Water depths range from 300 to 2,000 metres. The Corrib area has been the subject of considerable corporate activity during the period: Nexen farmed into an 80% interest in Faroe Petroleum's LO 16/23; while Vermilion and the Canada Pension Plan Investment Board, the investment arm of Canada Pension Plan, acquired a 45% interest in the Corrib gas field for US$1.23 billion.

Exploration (continued)

Padraig Basin: LO 16/22
The Padraig Basin is a remnant Jurassic basin on the eastern margin of the Rockall Trough. The most relevant analogue for the Padraig is the conjugate margin play offshore Newfoundland in the Flemish Pass basin, which was opened up by Statoil's Bay du Nord oil discovery. Most industry efforts are concentrated on exploring for this play in the South Porcupine basin, but Europa's restoration of the conjugate margin prior to Atlantic seafloor spreading suggests the possibility that the Padraig could be a better fit with the Flemish Pass basin.

Structures of significant size have been identified on 2D seismic acquired in 1998. In addition, multiple leads in both pre-rift and syn-rift hydrocarbon plays have been mapped in water depths ranging from 800 to 2,000 metres. Gross mean un-risked indicative resources are estimated to be in the range of 300 to 600 million boe. Work is underway to mature the leads to drillable prospect status using historic data including 2D seismic and high quality technical work previously conducted by major oil companies.

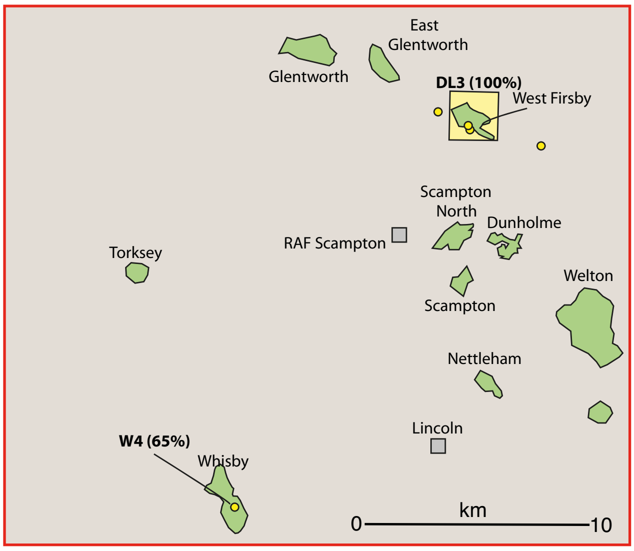
Operations (continued)

UK

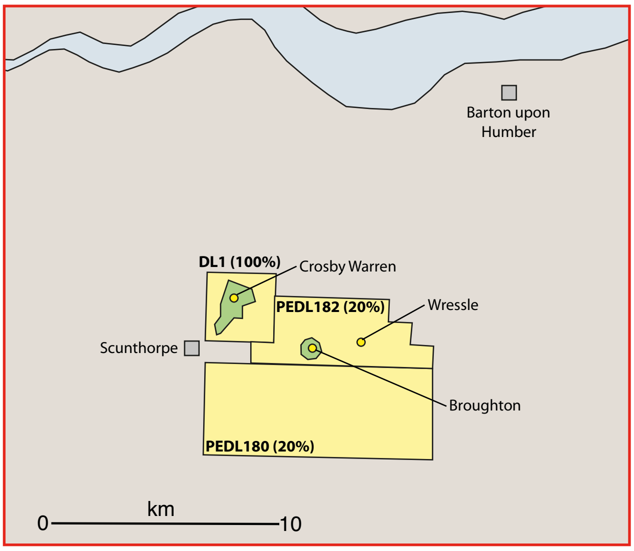
Summary (million boe)

	2P reserves (oil)	2C resources (oil)	GMUPR (oil)	GMUPR (gas)
Total gross	1.0	3.1	13.15	27
Total net	0.46	0.78	2.98	9.5

Onshore Production



Development



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

The Company produces from three oilfields in the East Midlands: a 100% working interest in both the West Firsby and Crosby Warren fields and a 65% non-operated interest in the Whisby-4 well. As these are mature oil fields, total production declined in line with expectations. During the year to 31 July 2017, 113 boepd were recovered (2016: 123 boepd). All the oil is transported by road to the Immingham refinery.

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

PEDL180 holds the Wressle oil discovery which lies 5km southeast of, and along the same structural trend as, Europa's producing Crosby Warren field. Wressle was discovered by the Wressle-1 conventional exploration in August 2014. Production testing during 2015 delivered a combined flowrate over 700 boepd from three reservoir intervals: Ashover Grit; Wingfield Flags; and Penistone Flags. Reservoir engineering analyses indicate an initial production flow rate of 500 bopd gross from the Ashover Grit interval at Wressle.

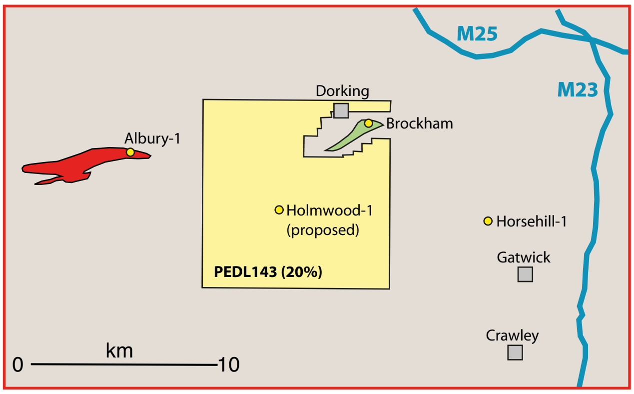
Development (continued)

A CPR issued on 26 September 2016 identified gross 2P reserves on the structure of 0.65 million boe in the Ashover and Wingfield Flags and gross 2C contingent resources of 1.86 million boe in the Penistone Flags. The CPR was undertaken by ERCE Equipoise, which at the same time assigned gross mean un-risked prospective resources of 0.6 million boe and a geological chance of success of 50% to the Broughton North exploration prospect on PEDL182 which lies adjacent and north of PEDL180. In 1984, a well was drilled by BP and discovered oil at Broughton.

During the period, Europa sold a 3.34% working interest in PEDLs180 & 182 to Union Jack Oil & Gas ('UJO') for a cash consideration of £600,000. On 24 November 2016, Europa agreed the sale of a further 10% interest in the two licences to Upland for a total consideration of up to £1.85 million. The transaction implies a value of up to £3.7 million for Europa's remaining 20% interest in the licences. Completion of the sale to Upland is subject to planning, and Field Development Plan ('FDP') approvals. The FDP was submitted to the OGA on 8 September 2016. In January 2017, Lincolnshire County Council refused to grant planning consent. The partners announced their intention to appeal and at the same time file a new application which included more detailed information to address the specific concerns outlined by the Council. In July 2017, this second application was refused by the County Council's Planning Committee. As with the first refusal, the decision of the Committee went against the positive recommendation of the County Council's Planning Officer, which was determined after an extensive and thorough review of an augmented planning application.

The partners are moving forward with the appeal against the January and July 2017 determinations, which is due to be heard by the Planning Inspectorate in November 2017. The partners remain confident that planning consent will be granted and that Wressle will be brought into production.

Exploration



Weald Basin: PEDL143 (Holmwood)

PEDL143 is located in the Weald Basin, Surrey and contains the Holmwood conventional oil prospect, which is predicted to have the same conventional Jurassic sandstone and limestone reservoirs that have been proven to be productive at the nearby Brockham oil field and at the Horse Hill oil discovery. In a CPR dated June 2012, ERCE Equipoise assigned Holmwood gross mean prospective resources of 5.6 million boe with a range of 1 to 11 million boe. At 5.6 million boe, Holmwood would become the fifth largest onshore oil field in the UK. Planning permission has been granted to drill a temporary exploratory borehole to a depth of 1,400 metres. Europa is working to discharge the remaining conditions before commencing drilling operations at Holmwood in the first half of 2018. Following the exploration success at Horse Hill, 8km to the East, Europa rates the geological chance of success at Holmwood as one in two.

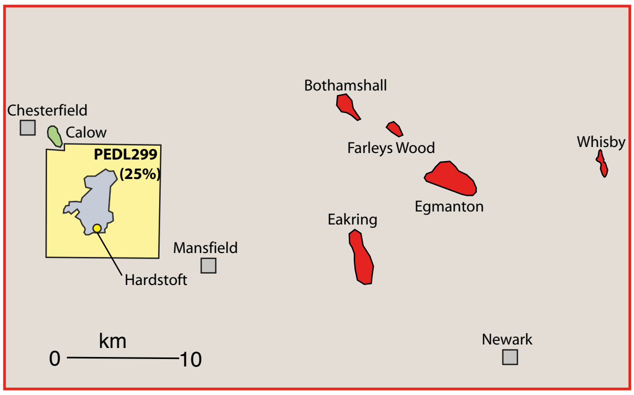
During the period, Europa agreed to farm-out a 12.5% interest in PEDL143 to Angus Energy. Thanks to earlier farm-out activity, Europa's remaining 20% share of the exploration well costs at Holmwood will be fully carried up to a cap of £3.2 million. Europa is partnered in the licence with UK Oil & Gas Investments plc 30%, Egdon Resources 18.4%, Angus Energy 12.5%, Warwick Energy 10%, UJO 7.5% and Altwood Petroleum 1.6%.

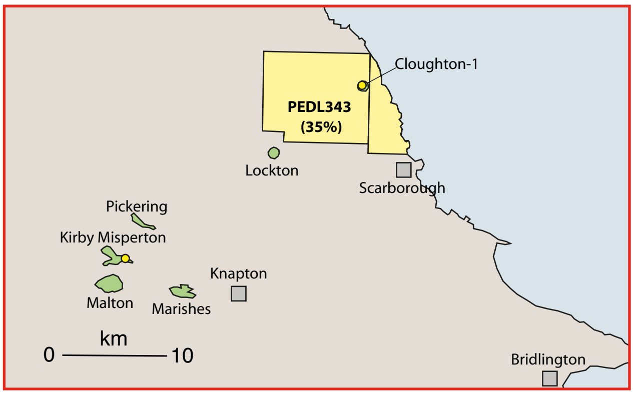
Aside from Holmwood, there is ongoing exploration and development activity in the Weald Basin, the results of which will be relevant to Holmwood. The Horse Hill discovery in PEDL137 lies 8km to the east of and along-strike in a very similar geological structure to Holmwood. Correlation of seismic data indicates that the Holmwood well will penetrate a similar stratigraphic section to Horse Hill which produced at a rate of 323 bopd over an 8.5-hour period from Portland sandstone reservoirs, a well-known producing reservoir in the Weald basin. In addition to the Portland, Horse Hill produced a combined 1,365 bopd from two micritic limestone formations in the Kimmeridge section over a period of up to 7.5 hours. As well as increasing the geological chance of success on the Portland sandstone reservoir at Holmwood, Horse Hill has opened up the Kimmeridge limestone as an exciting new play in the Weald Basin, one which we believe is also present at Holmwood.

The Kimmeridge has also been identified in the Brockham field, which lies 5km to the north of Holmwood. Following OGA consent of the Field Development Plan, the operator, Angus Energy, intends to bring the Kimmeridge limestone reservoir into production from the Brockham-X4Z well. In addition, the Kimmeridge is due to be tested at the Broadford

Operations (continued)

UK (continued)





Bridge well in PEDL234, which encountered a thick sequence of Kimmeridge with five limestone intervals. The limestones were cored and found to have live light oil seeping at surface. The operator, UKOG, intends to conduct an extended well test ('EWT') of Kimmeridge limestone, which will go some way to determining the amount of connected volume of the Kimmeridge that can be accessed by a well, and, importantly, if this is sufficient to enable commercial production.

East Midlands: PEDL299 (Hardstoft)
The Hardstoft oil field was discovered in 1919 by the UK's first ever exploration well and produced 26,000 barrels of oil from Carboniferous limestone reservoirs. A CPR issued by joint venture partner Upland, identified gross 2C contingent resources of 3.1 million boe and gross 3C contingent resources of 18.5 million boe at Hardstoft. Production testing methodologies for carbonate reservoirs have evolved since 1919, which it is hoped will lead to commercial oil flowrates being achieved.

During the period, Europa acquired Shale Petroleum, which resulted in the Company's interest in the licence increasing from 16.66% to 33.33%. This has subsequently been reduced following the reassignment of an 8.33% interest in the licence to existing partner Upland. As a result, Europa's interest in PEDL299, which is restricted to the conventional prospectivity, now stands at 25%, alongside Upland 25% and INEOS, the operator, 50%.

Cleveland Basin: PEDL343 (Cloughton)
PEDL343 is operated by Third Energy and contains the Cloughton gas discovery made by Bow Valley. An exploration well was drilled in 1986 and flowed a small amount of gas to surface on production test from Carboniferous sandstone reservoirs. Europa regards Cloughton as a gas appraisal opportunity with the critical challenge being to obtain commercial flowrates from future production testing operations.

The acquisition of Shale Petroleum increased the Company's equity in PEDL343 to 45% from 22.5%. This has subsequently been reduced to 35% following the assignment of a 10% interest to existing partner Arenite Petroleum Limited ('Arenite'). Europa holds a 35% interest in PEDL343 alongside Arenite 15%, Third Energy 20%, Egdon Resources 17.5% and Petrichor Energy 12.5%.

Southern North Sea: Block 41/24
This is a promote licence over Block 41/24 in the Southern North Sea to a joint venture comprising Europa and Arenite. The licence was awarded as part of the 28th Seaward Licensing Round. Block 41/24 adjoins the Yorkshire coast and contains the Maxwell gas field which was discovered in Permian Zechstein carbonates by Total with the drilling of offshore well 41/24a-1 in 1969. Two follow-up appraisal wells: 41/24a-2 drilled by Total (1981) and 41/24-3 by Conoco (1992) targeted this fractured Zechstein carbonate reservoir and flowed gas and condensate. The exploration emphasis of the licence is to address the Carboniferous prospectivity in the Namurian and Dinantian sequences. The adjoining onshore extension of the Cleveland basin contains a number of gas fields and discoveries including Kirby Misperton, Ebberstone Moor and Cloughton.

The licence expires in December 2017 and requires financial, technical and environmental capacity to be in place and a firm drilling (or agreed equivalent substantive activities) commitment to have been made by the end of the year.

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

New Ventures
We are actively evaluating high impact new venture opportunities outside of our core areas in Ireland and the UK.

Non financial KPI's
There were no reportable accidents or incidents in the year (2016: zero). The Environment Agency has undertaken an exercise of repermitting all onshore production sites and we have completed re-applications for activities at both Crosby Warren and West Firsby in the year.

There were no new licence awards in the year (2016: five licences in Ireland and three in UK).

Financials
An average of 113 boepd were recovered from the Company's three UK onshore fields in the period, which generated £1.6 million in revenue (2016: 123 boepd and £1.3 million).

An improving oil price, together with favourable exchange rates, offset the natural decline in our production in the period. The average oil price achieved was US$48.9/bbl (2016: US$41.5/bbl) and the average Sterling exchange rate was $1.27 (2016: $1.45).

Stringent cost controls continue to be implemented. Cost of sales were £1,459,000 (2016: £1,282,000) despite spending £62,000 on renewal of EA permits for the operated production sites and 2016 benefitting from £106,000 of rates refunds.

Administrative expenses of £553,000 (2016: £593,000) as a result of the full year effect of the continuing temporary salary reduction agreed with head office staff £70,000 and non-recurrence of expenditure on Irish licence applications £80,000. Administrative expenses also include £98,000 of non-cash cost associated with the granting of stock options in the period.

Net cash spent on operating activities was £255,000 (2016: cash spent £322,000).

Purchase of intangible fixed assets of £1.4 million (2016: £0.8 million) was largely spent advancing the Irish portfolio and on Holmwood. As a result of the delay in receipt of planning consent for the Wressle development, £1.14 million cash is still expected to be received from Upland.

The Company's cash balance at 31 July 2017 was £3.6 million (31 July 2016: £1.7 million).

HGD Mackay
Chief Executive Officer

27 October 2017

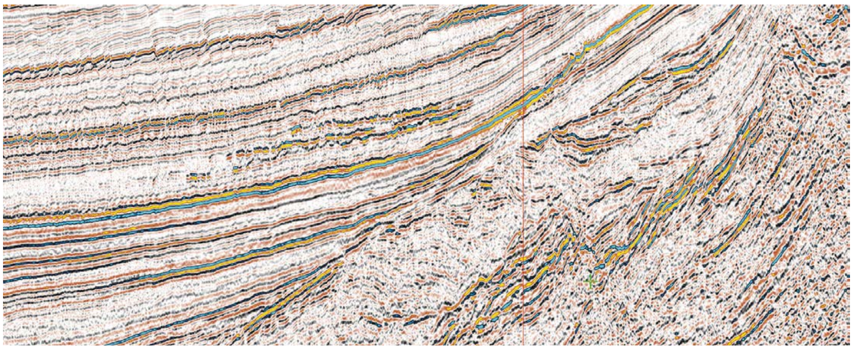
Seismic reprocessing

In oil exploration our key dataset is the geophysical seismic survey. Offshore data are acquired by a marine seismic vessel (such as the Polar Marquis on the cover) towing an array of cables up to 10km long behind it whilst a seismic source generates a pulse of energy to illuminate the sub surface. Following acquisition these data are processed to create an image of the geology. A key step in the processing is 'migration' where the seismic events are geometrically re-located to their correct position. This is because of limitations in the geophysical acquisition method.

The migration process can be performed in the time or depth domains. The original 2013 seismic surveys over frontier exploration licences ('FEL') 2/13 and 3/13 were processed in the time domain. This is normally the first step in a frontier exploration area because processing in the depth domain is time consuming, labour intensive and costly. However, in areas' where the geology is complex, for example channels on the seabed, steeply dipping or heavily faulted sediments, migration in the time domain positions events in the wrong place. This is because the time migration algorithms assume that there are only mild lateral velocity variations in the sub surface.

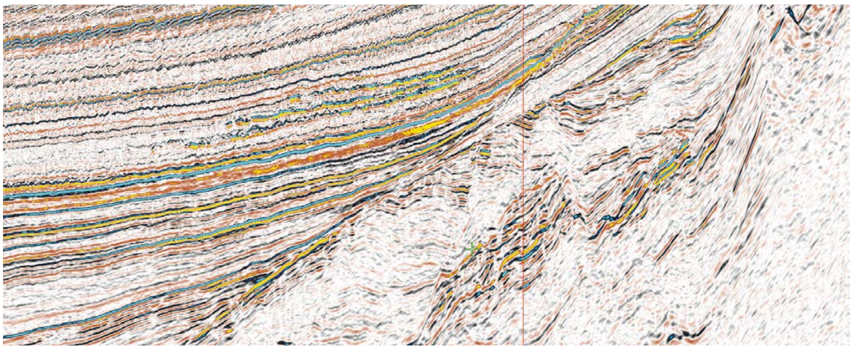
In FEL 3/13 we have complex geology. A westerly dipping seabed with the dramatic Gollum channel system across the southern area. Steeply dipping geology that gives rise to rapid changes in lateral velocity. Also, the deep Jurassic sediments, 145 to 200 million years old, are heavily faulted. For these reasons the next best technical step on the route to drilling a well was to perform a depth imaging project. A comparison between the original 2013 pre-stack time migration and the 2017 pre-stack depth migration is shown below.

See the difference



2013 Pre-stack time migration

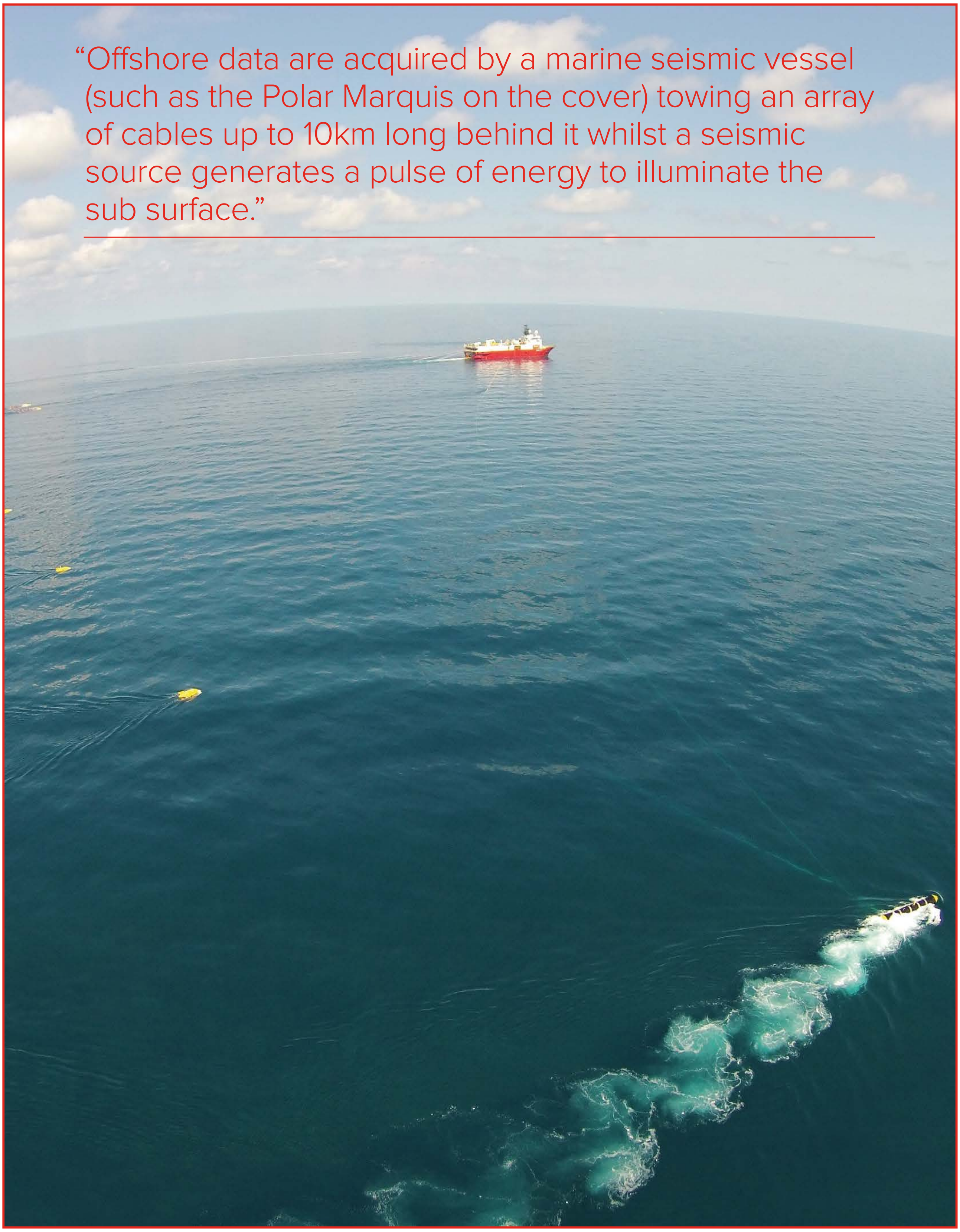
The example line is across one of our Jurassic pre rift tilted fault blocks. Improvement can be seen in the definition of the main angular unconformities (boundaries where beds meet at different angles), definition of the faults and improvement in their lateral position.



2017 Pre-stack depth migration

These data are in depth and give us our best representation of the subsurface. The next step will be to interpret these data and update our existing maps. Our revised inventory of prospects will then be reviewed to select the most prospective for drilling.

"Offshore data are acquired by a marine seismic vessel (such as the Polar Marquis on the cover) towing an array of cables up to 10km long behind it whilst a seismic source generates a pulse of energy to illuminate the sub surface."



Risks and uncertainties

Europa's activities are subject to a range of financial risks including commodity prices, liquidity, exchange rates and loss of operational equipment or wells. These risks are managed with the oversight of the Board and the Audit Committee through ongoing review taking into account the operational, business and economic circumstances at that time. The primary risk facing the business is that of liquidity.

Key risk	Description and impact	Mitigation
Financial risk		
Funding	Significant expenditure is required to establish the extent of oil and gas reserves through seismic surveys and drilling and there can be no certainty that oil and gas reserves will be found. The exploration and development of oil and gas assets may be curtailed, delayed or cancelled by unusual or unexpected geological formation pressures, hazardous weather conditions or other factors. Licences may be revoked by the relevant issuing authority if commitments under those licences are not met. Further details of current licence commitments are given in notes 11 and 22.	Detailed cash forecasts are prepared frequently and reviewed by management and the Board. The Group's production provides a monthly inflow of cash and is the main source of working capital and project finance. Additional cash is available through the placing of Europa shares in the market and the trading of assets.
Commodity price and foreign exchange	Each month's oil production is sold at a small discount to Brent price in US Dollars. These funds are matched where possible against expenditures within the business. As most capital and operating expenditures are Sterling denominated, US Dollars are periodically sold to purchase Sterling. A fall in oil price could make some projects economically unviable. All oil production is sold to one UK based refinery – if they were to stop buying Europa's crude, additional transportation costs would be incurred.	The Board has considered the use of financial instruments to hedge oil price and US Dollar exchange rate movements. To date, the Board has not hedged against price or exchange rate movements, but intends to regularly review this policy.
Operational risk		
Exploration, drilling and operational risk	The business of exploration and production of oil and gas involves a high degree of risk. Few prospects that are explored are ultimately developed into producing oil and gas fields. Securing planning consent for onshore wells takes times and the outcome of planning applications is not certain. 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, shortage or delays in the delivery of rigs and other equipment, labour disputes and compliance with governmental requirements. Drilling may involve unprofitable efforts, not only with respect to dry wells, but also to wells which, though yielding some oil or gas, are not sufficiently productive to justify commercial development. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs.	Current production comes from five oil wells located at three different sites. This diversity of producing assets gives Europa resilience in the event of a problem with one well, or site. Appropriate insurance cover is obtained annually for all of Europa's exploration, development and production activities.

On behalf of the Board

Phil Greenhalgh
Finance Director

27 October 2017

Chairman's introduction to governance

I hope this report demonstrates how our governance policies are helping us test whether we are doing the right thing, in the right way.

How we govern the group

There is a commitment to high standards of corporate governance throughout the group. As an AIM listed company there is no requirement to comply with the UK Corporate Governance Code ('The Code') (which is available on www.frc.org.uk) although the Board have regard for the general principles set out in the Code and is accountable to the group's shareholders for good governance.

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 Audit Committee

The Audit Committee is responsible for monitoring and reviewing the integrity of the financial reporting process, including the appropriateness of any judgements and estimates taken in preparing the financial statements; external audit functions; and internal financial control.

The Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration policy and the application of the policy in relation to the Chairman's and Executive Directors' remuneration. The remuneration of the Non-Executive Directors is determined by the Chairman and the Executive Directors.

Observations

During the year ended 31 July 2017 I highlight the following:

Two of the Board's Non-Executive Directors, RJHM Corrie and CW Ahlefeldt, have been members of the Board for more than the recommended nine years. The Board has reviewed the roles of both individuals and concluded that they are independent in character and free from any relationship that could affect the exercise of their independent judgement. It is felt that their knowledge and understanding are fundamental to the Board's deliberations.

In addition to their interest in the ordinary shares of the Company, C Bousfield and RJHM Corrie hold stock options. These options were awarded in connection with their appointment to the Board, with a further 300,000 options granted to RJHM Corrie this year. Full details of the options are included in note 20. Whilst recognising that the granting of options to Non-Executive Directors is contrary to the principles of The Code the Board considers that the quantum of options granted is not so significant as to raise any issue concerning the independence of these Directors. The Board wishes to retain the ability to grant stock options to Non-Executive Directors in future.

Colin Bousfield
Non-Executive Chairman

27 October 2017

Governance

Board of Directors

William Ahlefeldt

Role
Non-Executive Director

Skills and experience
William helped take Europa onto AIM and its largest shareholder. He started his career at Maersk as a petroleum engineer followed, in 1987, by IPEC, a London based consultancy, where he was responsible for field reserves estimations. In 1990, he became an independent consultant, undertaking field and portfolio evaluations for acquisitions and field development work on a range of projects in the North Sea, former Soviet Union and Middle East. He was also the founder of IFX Infoforex. William has continued to be active in petroleum engineering consulting, carrying out portfolio evaluations and project management.

Committees
A R

Colin Bousfield

Role
Non-Executive Chairman

Skills and experience
Colin is an Associate of the Chartered Institute of Banking having spent over 30 years in banking with Barclays, Bank of Scotland, RBS and Commonwealth Bank of Australia, primarily involved in providing finance and corporate advice to oil and gas companies. Colin was CFO for a private unconventional resources group active in Europe, Composite Energy, prior to its sale to Dart Energy Ltd of Australia. He was then CFO for a European onshore drilling services company, Geometric Drilling Ltd, prior to its sale to the Entrepose Contracting group.

Committees
A R

Roderick Corrie

Role
Non-Executive Director

Skills and experience
Roderick is a graduate of Cambridge University and an Associate of the Chartered Institute of Banking. He has been a strategic adviser and financier with a variety of companies and holds or has held executive or non-executive roles in corporate finance, strategic advice, TV advertising, financial services, health, property, internet services, mineral exploration & development, investment and manufacturing companies.

Committees
A R

Phil Greenhalgh

Role
Finance Director

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

Hugh Mackay

Role
Chief Executive Officer

Skills and experience
Hugh, a geologist who joined Europa in 2011, has a wealth of experience in the oil and gas sector, including eight years at BP in a variety of roles in the UK, Oman and Egypt, then at Enterprise Oil in leadership roles, culminating as head of the SE Asia division. Hugh sold the Peak Group to AGR ASA for US$50 million and founded Avannaa Resources, a leading mineral exploration company in Greenland. Hugh has a BSc in Geology from the University of Edinburgh and a Sloan MSc in Management from London Business School.

Committees member key

A Audit committee
R Remuneration committee
☐ Chair of committee
■ Member of committee

Directors' report

Business review
A detailed review of the Group's business is set out in the Chairman's statement (pages 2 and 3) and Strategic report (pages 4 to 18).

Future developments
Details of expected future developments for the Group are set out in the Chairman's statement (pages 2 and 3) and Strategic report (pages 4 to 18).

Dividends
The Directors do not recommend the payment of a dividend (2016: £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	
	2017	2016	**2017**	2016
CW Ahlefeldt-Laurvig[1]	**33,752,442**	35,002,442	**—**	—
C Bousfield	**273,958**	273,958	**500,000**	500,000
RJHM Corrie[2]	**1,251,631**	805,287	**950,000**	650,000
P Greenhalgh	**605,973**	520,973	**5,775,000**	4,275,000
HGD Mackay	**4,700,000**	3,370,906	**11,700,000**	8,200,000

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

Details of the vesting conditions of the Directors' stock options are included in note 20.

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

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

Financial instruments
See note 1 and note 21 to the financial statements.

Related party transactions
See note 24 to the financial statements.

Post reporting date events
See note 25 to the financial statements.

Capital structure and going concern

Further details on the Group's capital structure are included in note 19. Comments on going concern are included in note 1.

Accounting policies

A full list of accounting policies is set out in note 1 to the financial statements. The Group has not made any material changes to its accounting policies in the year to 31 July 2017.

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

Auditor

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

On behalf of the Board

Phil Greenhalgh
Finance Director

27 October 2017

Statement of Directors' responsibilities

Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:
- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Report of the independent auditor

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

Opinion

We have audited the financial statements of Europa Oil and Gas (Holdings) Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 July 2017 which comprise the consolidated statement of comprehensive income, the consolidated and Company statement of financial position, the consolidated and Company statement of changes in equity, the consolidated and Company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 July 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union ;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

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

Report of the independent auditor (continued)

Matter	Our response
Carrying value of producing assets As detailed in note 1 and 12, the assessment of any impairment to the carrying value of the three producing fields requires significant estimation by management. The key estimates and judgements include oil price, reserves, decline rate, and discount rate. Impairments have been previously recognised against the carrying values of the producing assets. Judgement is required as to whether there should be any further impairment recognised or whether an assessment that there has been an increase in value should give rise to any impairment reversals.	We reviewed management's discounted cash flow forecasts for each of the three producing fields and critically challenged the key estimates and assumptions used by management in the discounted cash flow models. We verified that the licences remain valid. We agreed the reserves used in the models to the most recent competent persons reports and assessed the objectivity, competence and independence of these experts. We challenged management's sensitivity assessments and performed our own sensitivity calculations in respect of oil prices, decline rates and discount rate, along with considering the appropriateness of the related disclosures given in note 12.
Carrying amount of intangible assets The non-producing exploration assets of the Group are classified as intangible assets within non-current assets in the statement of financial position. As detailed in note 1 and 11, given the inherent uncertainties around the recoverability of exploration and evaluation assets, and the judgements involved, we consider the carrying amount of intangible assets to be a significant risk.	We tested a sample of additions to exploration and evaluation assets to confirm they meet the criteria for capitalisation. We reviewed and challenged management's impairment assessment which was carried out in accordance with IFRS 6 in order to determine whether there were any indicators of impairment. We verified that the licences remain valid. We assessed the disclosures included in the financial statements given in note 11.
Going Concern When preparing the financial statements, Management and the Directors are required to make an assessment of the Group's ability to continue as a going concern for a period of at least 12 months from the date of signing the financial statements. As detailed in note 1 the appropriateness of the group's financial assumptions, including funding for the exploration activities which may be dependent on raising finance through equity or from farm-in partners, and in turn the Group's assessment of its ability to meet liabilities as they fall due represented a significant risk for our audit due to the inherent judgements and estimates required.	We critically assessed management's financial forecast models and the key underlying assumptions, including oil prices, reserves, production and expenditure. In doing so, we considered factors such as actual performance against budget and external market data. We reviewed management's sensitivity analysis performed in respect of key assumptions underpinning the forecasts. We performed our own sensitivities in respect of oil prices, operating and capital expenditure. We assessed the disclosures included in the financial statements given in note 1.
Recoverability of deferred tax asset As detailed in note 17 the Group has recognised a net deferred tax asset of £341,000 (2016: £157,000) which arises from ring-fenced trading losses. Management are required to make as assessment of future taxable profits which can be used to offset the tax losses. There is judgement involved in management's profit forecasts and in turn management's assessment of the recoverability of the deferred tax asset which represented a significant risk for our audit due to the inherent judgements required.	We have critically assessed management's profit forecasts to verify whether there will be sufficient taxable profits against which to offset the tax losses. In doing so, we considered factors such as actual performance against budget and external market data. We also considered the profit forecasts used to assess the recoverability of the deferred tax asset in relation to the discounted cashflow models used in the impairment assessment and the cashflow forecast used in the going concern assessment. We assessed the disclosures included in the financial statements given in note 17.

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Our application of materiality

Group materiality FY 2017	Group materiality FY 2016	Basis for materiality
£167,000	£140,000	We consider total assets to be the most appropriate basis for materiality given the Group is focussed on exploration and development.

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

Our determination of materiality has remained unchanged with no significant movement in the total assets in the year impacting materiality. We consider total assets to be the most significant determinant of the group's financial performance used by shareholders.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £8,000 (2016: £5,000). We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

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

An overview of the scope of our audit

Our group audit scope focused on the group's principal operating subsidiaries, all being located in the UK, which were all subject to full scope audits. Together with the parent company which was also subject to a full scope audit, these represent the significant components of the Group. All of the components were audited by BDO UK LLP and 100% of the group's revenue and assets were subject to audit.

Other information

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

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

Report of the independent auditor (continued)

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements
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.

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

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

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

J Z Draycott

Jack Draycott (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
27 October 2017
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

For the year ended 31 July

	Note	2017 £000	2016 £000
Revenue	2	**1,569**	1,269
Cost of sales	2	***(1,459)***	*(1,282)*
Exploration write-off	11	—	*(1,162)*
Total cost of sales		**(1,459)**	(2,444)
Gross profit/(loss)		**110**	(1,175)
Administrative expenses		**(553)**	(593)
Profit on fixed asset disposal	6	—	28
Finance income	7	**2**	64
Finance expense	8	**(234)**	(228)
Loss before taxation	3	**(675)**	(1,904)
Taxation credit	9	**184**	266
Total comprehensive loss for the year attributable to the equity shareholders of the parent		**(491)**	(1,638)

	Note	Pence per share	Pence per share
Earnings per share ('EPS') attributable to the equity shareholders of the parent			
Basic and diluted EPS	10	**(0.19p)**	(0.67p)

The accompanying notes form part of these financial statements.

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Consolidated statement of financial position
As at 31 July

	Note	2017 £000	2016 £000
Assets			
Non-current assets			
Intangible assets	11	**5,276**	4,453
Property, plant and equipment	12	**882**	1,060
Deferred tax asset	17	**341**	157
Total non-current assets		**6,499**	5,670
Current assets			
Inventories	14	**14**	23
Trade and other receivables	15	**886**	210
Cash and cash equivalents		**3,591**	1,718
Total current assets		**4,491**	1,951
Total assets		**10,990**	7,621
Liabilities			
Current liabilities			
Trade and other payables	16	**(945)**	(444)
Current tax liabilities		**—**	(148)
Total current liabilities		**(945)**	(592)
Non-current liabilities			
Long-term provisions	18	**(2,570)**	(2,347)
Total non-current liabilities		**(2,570)**	(2,347)
Total liabilities		**(3,515)**	(2,939)
Net assets		**7,475**	4,682
Capital and reserves attributable to equity holders of the parent			
Share capital	19	**3,014**	2,449
Share premium	19	**18,481**	15,901
Merger reserve	19	**2,868**	2,868
Retained deficit		**(16,888)**	(16,536)
Total equity		**7,475**	4,682

These financial statements were approved by the Board of Directors and authorised for issue on 27 October 2017 and signed on its behalf by:

Phil Greenhalgh
Finance Director

Company registration number 5217946.
The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

	Attributable to the equity holders of the parent				
	Share capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total equity £000
Balance at 1 August 2015	2,449	15,901	2,868	(14,911)	6,307
Comprehensive loss for the year					
Loss for the year attributable to the equity shareholders of the parent	—	—	—	(1,638)	(1,638)
Total comprehensive loss for the year	**—**	**—**	**—**	**(1,638)**	**(1,638)**
Contributions by and distributions to owners					
Share based payment (note 20)	—	—	—	13	13
Total contributions by and distributions to owners	**—**	**—**	**—**	**13**	**13**
Balance at 31 July 2016	**2,449**	**15,901**	**2,868**	**(16,536)**	**4,682**
Balance at 1 August 2016	2,449	15,901	2,868	(16,536)	4,682
Comprehensive loss for the year					
Loss for the year attributable to the equity shareholders of the parent	—	—	—	(491)	(491)
Total comprehensive loss for the year	**—**	**—**	**—**	**(491)**	**(491)**
Contributions by and distributions to owners					
Issue of share capital (note 19)	565	2,603	—	—	3,168
Issue of share options (note 20)	—	(23)	—	23	—
Share based payment (note 20)	—	—	—	116	116
Total contributions by and distributions to owners	**565**	**2,580**	**—**	**139**	**3,284**
Balance at 31 July 2017	**3,014**	**18,481**	**2,868**	**(16,888)**	**7,475**

The accompanying notes form part of these financial statements.

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Company statement of financial position

As at 31 July

	Note	2017 £000	2016 £000
Assets			
Non-current assets			
Intangible assets	11	**577**	43
Property, plant and equipment	12	**3**	4
Investments	13	**2,340**	2,335
Amounts due from Group companies	24	**714**	491
Total non-current assets		**3,634**	2,873
Current assets			
Other receivables	15	**156**	44
Cash and cash equivalents		**2,863**	1,250
Total current assets		**3,019**	1,294
Total assets		**6,653**	4,167
Liabilities			
Current liabilities			
Trade and other payables	16	**(199)**	(172)
Total current liabilities		**(199)**	(172)
Total non-current liabilities		**—**	—
Total liabilities		**(199)**	(172)
Net assets		**6,454**	3,995
Capital and reserves attributable to equity holders of the parent			
Share capital	19	**3,014**	2,449
Share premium	19	**18,481**	15,901
Merger reserve	19	**2,868**	2,868
Retained deficit		**(17,909)**	(17,223)
Total equity		**6,454**	3,995

The Company has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish its individual statement of comprehensive income and related notes. The loss dealt with in the financial statements of the parent Company is £825,000 (2016: loss of £2,288,000).

These financial statements were approved by the Board of Directors and authorised for issue on 27 October 2017 and signed on their behalf by:

Phil Greenhalgh
Finance Director

Company registration number 5217946.
The accompanying notes form part of these financial statements.

Company statement of changes in equity

	Share capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total equity £000
Balance at 1 August 2015	2,449	15,901	2,868	(14,948)	6,270
Comprehensive loss for the year					
Loss for the year attributable to the equity shareholders of the parent	—	—	—	(2,288)	(2,288)
Total comprehensive loss for the year	**—**	**—**	**—**	**(2,288)**	**(2,288)**
Contributions by and distributions to owners					
Share based payment (note 20)	—	—	—	13	13
Total contributions by and distributions to owners	**—**	**—**	**—**	**13**	**13**
Balance at 31 July 2016	**2,449**	**15,901**	**2,868**	**(17,223)**	**3,995**
Balance at 1 August 2016	2,449	15,901	2,868	(17,223)	3,995
Comprehensive loss for the year					
Loss for the year attributable to the equity shareholders of the parent	—	—	—	(825)	(825)
Total comprehensive loss for the year	**—**	**—**	**—**	**(825)**	**(825)**
Contributions by and distributions to owners					
Issue of share capital (note 19)	565	2,603	—	—	3,168
Issue of share options (note 20)	—	(23)	—	23	—
Share based payment (note 20)	—	—	—	116	116
Total contributions by and distributions to owners	**565**	**2,580**	**—**	**139**	**3,284**
Balance at 31 July 2017	**3,014**	**18,481**	**2,868**	**(17,909)**	**6,454**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 July

	Note	2017 £000	2016 £000
Cash flows used in operating activities			
Loss after tax from continuing operations		**(491)**	(1,638)
Adjustments for:			
Share based payments	20	**116**	13
Depreciation	12	**184**	195
Exploration write-off	11	**—**	1,162
Disposal of fixed asset	6	**—**	(28)
Finance income	7	**(2)**	(64)
Finance expense	8	**234**	228
Taxation credit	9	**(184)**	(266)
(Increase)/decrease in trade and other receivables		**(108)**	170
Decrease/(increase) in inventories		**9**	(10)
Decrease in trade and other payables		**(13)**	(84)
Net cash used in operations		**(255)**	(322)
Income taxes paid		**(144)**	—
Net cash used in operating activities		**(399)**	(322)
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(6)**	(1)
Sale of property		**—**	338
Purchase of intangible assets		**(1,491)**	(1,224)
Sale of part interest in licence		**600**	—
Repayment of derivative		**—**	(30)
Interest received		**2**	4
Net cash used in investing activities		**(895)**	(913)
Cash flows from/(used in) financing activities			
Proceeds from issue of share capital (net of issue costs)	19	**3,145**	—
Increase/(decrease) in payables relating to share capital issue costs		**16**	(71)
Option based equity movement on share issue		**23**	—
Repayment of borrowings		**—**	(164)
Finance costs		**(3)**	(17)
Net cash from/(used in) financing activities		**3,181**	(252)
Net increase/(decrease) in cash and cash equivalents		**1,887**	(1,487)
Exchange (loss)/gain on cash and cash equivalents		**(14)**	54
Cash and cash equivalents at beginning of year		**1,718**	3,151
Cash and cash equivalents at end of year		**3,591**	1,718

The accompanying notes form part of these financial statements.

Company statement of cash flows

For the year ended 31 July

	Note	2017 £000	2016 £000
Cash flows used in operating activities			
Loss after tax from continuing operations		**(825)**	(2,288)
Adjustments for:			
Share based payments		**111**	10
Depreciation	12	**2**	10
Disposal of asset		**—**	(28)
Exploration write off		**—**	1,162
Movement in intercompany loan		**1,024**	1,443
Finance income		**(460)**	(470)
Finance expense		**—**	15
(Increase)/decrease in trade and other receivables		**(36)**	20
(Decrease)/increase in trade and other payables		**(74)**	79
Net cash used in operating activities		**(258)**	(47)
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(1)**	(1)
Purchase of intangible assets		**(556)**	(48)
Sale of property		**—**	338
Repayment of derivative		**—**	(30)
Movement on loan to Group companies		**(756)**	(1,139)
Interest received		**—**	4
Net cash used in investing activities		**(1,313)**	(876)
Cash flows from/(used in) financing activities			
Proceeds from issue of share capital (net of issue costs)	19	**3,145**	—
Increase/(decrease) in payables relating to issue of share capital		**16**	(71)
Option based equity movement on share issue		**23**	—
Repayment of borrowings		**—**	(164)
Finance costs		**—**	(15)
Net cash from/(used in) financing activities		**3,184**	(250)
Net increase/(decrease) in cash and cash equivalents		**1,613**	(1,173)
Cash and cash equivalents at beginning of year		**1,250**	2,423
Cash and cash equivalents at end of year		**2,863**	1,250

The accompanying notes form part of these financial statements.

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Notes to the financial statements

1 Accounting policies

General information

Europa Oil & Gas (Holdings) plc is a Company incorporated and domiciled in England and Wales with registered number 5217946. The address of the registered office is 6 Porter Street, London, W1U 6DD. The Company's administrative office is at the same address.

The functional and presentational currency of the Company is Sterling (UK£).

Basis of accounting

The consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards ('IFRS') as adopted by the EU. The policies have not changed from the previous year.

The accounting policies that have been applied in the opening statement of financial position have also been applied throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 July 2017.

Going concern

Given the continuing cash inflow from the Group's producing assets, the cash held by the group at the year end, less administrative expenses and planned capital expenditure, the Directors have concluded, at the time of approving the financial statements, that there is a reasonable expectation, based on the Group's cash flow forecasts, that the Group can continue in operational existence for the foreseeable future, which is deemed to be at least 12 months from the date of signing these financial statements. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Future changes in accounting standards

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

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

IFRS 15 is intended to introduce a single framework for revenue recognition and clarify principles of revenue recognition. This standard modifies the determination of when to recognise revenue and how much revenue to recognise. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is currently completing an assessment of the new standard based on the existing arrangements at their operations.

IFRS 16 introduces a single lease accounting model. This standard requires lessees to account for all leases under a single on-balance sheet model. Under the new standard, a lessee is required to recognise all lease assets and liabilities on the balance sheet; recognise amortisation of leased assets and interest on lease liabilities over the lease term; and separately present the principal amount of cash paid and interest in the cash flow statement. The Group is currently assessing the impact of this standard.

IFRS 9 will replace existing accounting Standards in relation to Financial Instruments. It is applicable to financial assets and liabilities and will introduce changes to existing accounting concerning classification, measurement and impairment (introducing an expected loss method). The Group is currently assessing the impact of IFRS 9.

The Group will adopt the above Standards at the time stipulated by that Standard. The Group does not at this time anticipate voluntary early adoption of any of the Standards.

		Effective date (periods beginning on or after)
IFRS 9	Financial instruments	1 Jan 2018
IFRS 15	Revenue from Contracts with Customers	1 Jan 2018
IFRS 16*	Leases	1 Jan 2019
IAS 7	Disclosure initiative	1 Jan 2017
IAS 12	Recognition of deferred tax assets for unrealised losses	1 Jan 2017

* Not yet endorsed by the EU.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. Intra Group balances are eliminated on consolidation. Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group is engaged in oil and gas exploration, development and production through unincorporated joint ventures.

1 Accounting policies (continued)

Joint arrangements

Joint arrangements are those arrangements in which the Group holds an interest on a long-term basis which are jointly controlled by the Group and one or more venturers under a contractual arrangement. When these arrangements do not constitute entities in their own right, the consolidated financial statements reflect the relevant proportion of costs, revenues, assets and liabilities applicable to the Group's interests in accordance with IFRS 11. The Group's exploration, development and production activities are presently conducted jointly with other companies in this way.

Revenue recognition

Revenue, excluding value added tax and similar taxes, represents net invoiced sales of the Group's share of oil and gas revenues in the year. Revenue is recognised at the end of each month based upon the quantity and price of oil and gas delivered to the customer.

Non-current assets

Oil and gas interests

The financial statements with regard to oil and gas exploration and appraisal expenditure have been prepared under the full cost basis. This accords with IFRS 6 which permits the continued application of a previously adopted accounting policy. The unit of account for exploration and evaluation assets is the individual licence.

Pre-production assets

Pre-production assets are categorised as intangible assets on the statement of financial position. Pre-licence expenditure is expensed as directed by IFRS 6. Expenditure on licence acquisition costs, geological and geophysical costs, costs of drilling exploration, appraisal and development wells, and an appropriate share of overheads (including Directors' costs) are capitalised and accumulated on a licence by licence basis. These costs which relate to the exploration, appraisal and development of oil and gas interests are initially held as intangible non-current assets pending determination of technical feasibility and commercial viability. On commencement of production these costs are tested for impairment prior to transfer to production assets.

Production assets

Production assets are categorised within property, plant and equipment on the statement of financial position. With the determination of commercial viability and approval of an oil and gas project the related pre-production assets are transferred from intangible non-current assets to tangible non-current assets and depreciated upon commencement of production within the appropriate cash generating unit.

Impairment tests

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units) as disclosed in notes 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 IFRS6 are identified. In addition, indicators such as a lack of funding or farm-out options for a licence which is approaching termination, or the implied value of a farm-out transaction are considered as indicators of impairment.

An impairment loss is recognised for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Property, plant and equipment

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

Depreciation

All expenditure within tangible non-current assets is depreciated from the commencement of production, on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of proven plus probable commercial reserves at the end of the period, plus the production in the period. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs within each licence. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

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

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

Reserves

Proven and probable oil and gas reserves are estimated quantities of commercially producible hydrocarbons which the existing geological, geophysical and engineering data shows to be recoverable in future years. The proven reserves included herein conform to the definition approved by the Society of Petroleum Engineers ('SPE') and the World Petroleum Congress ('WPC'). The probable and possible reserves conform to definitions of probable and possible approved by the SPE/WPC using the deterministic methodology. Reserves used in accounting estimates for depreciation are updated periodically to reflect management's view of reserves in conjunction with third party formal reports. Reserves are reviewed at the time of formal updates or as a consequence of operational performance, plans and the business environment at that time.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Reserves are adjusted in the year that formal updates are undertaken or as a consequence of operational performance and plans, and the business environment at that time, with any resulting changes not applied retrospectively.

Future decommissioning costs

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

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

Acquisitions of Exploration Licences

Acquisitions of Exploration Licenses 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.

1 Accounting policies (continued)

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

Investments

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

Financial instruments

Financial assets and liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group and Company classifies its financial assets into loans and receivables, which comprise trade and other receivables and cash and cash equivalents. The Group has not classified any of its financial assets as held to maturity or available for sale or fair value through profit or loss.

Trade and other receivables are measured initially at fair value plus directly attributable transaction costs, and subsequently at amortised cost using the effective interest rate method, less provision for impairment. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the Statement of comprehensive income.

Cash and cash equivalents comprise cash held by the Group, short-term bank deposits with an original maturity of three months or less and bank overdrafts.

The Group and Company classify financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The accounting policy for each category is as follows:

Other financial liabilities

Include the following items:

Bank and other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Leased assets

During the current and prior year the Group and Company did not have any finance leases. All leases are regarded as operating leases and the payments made under them are charged to the statement of comprehensive income on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

Treatment of finance costs

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

Defined contribution pension schemes

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

Inventories

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

Notes to the financial statements (continued)

1 Accounting policies (continued)

Share based payments

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

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

Accounting judgements and estimates:

- Carrying value of intangible assets (note 11) – carrying values are justified with reference to indicators of impairment as set out in IFRS 6. Based on these estimates at 31 July 2017, no impairment is required.
- Carrying value of property, plant and equipment (note 12) – carrying values are justified by reference to future estimates of cash flows, discounted at appropriate rates.
- Deferred taxation (note 17) – assumptions regarding the future profitability of the Group and whether the deferred tax assets will be recovered.
- Decommissioning provision (note 18) – inflation and discount rate estimates (2% and 10% respectively) are used in calculating the provision, along with third party estimates of remediation costs.
- Share-based payments (note 20) – various estimates, referenced to external sources where possible, are used in determining the fair value of options.

2 Operating segment analysis

In the opinion of the Directors the Group has two reportable segments as reported to the Chief Executive Officer, being the UK and Ireland. The Béarn des Gaves asset in France was written down in 2016.

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 2017

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

2 Operating segment analysis (continued)

Segmental assets and liabilities as at 31 July 2017

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

Income statement for the year ended 31 July 2016

	UK £000	Ireland £000	France £000	Total £000
Revenue	1,269	—	—	1,269
Cost of sales	*(1,282)*	—	—	*(1,282)*
Exploration write-off	—	—	*(1,162)*	*(1,162)*
Total cost of sales	(1,282)	—	(1,162)	(2,444)
Gross loss	**(13)**	**—**	**(1,162)**	**(1,175)**
Administrative expenses	(498)	(76)	(19)	(593)
Profit on disposal of fixed asset	28	—	—	28
Finance income	92	(28)	—	64
Finance costs	(228)	—	—	(228)
Loss before tax	**(619)**	**(104)**	**(1,181)**	**(1,904)**
Taxation	266	—	—	266
Loss for the year	**(353)**	**(104)**	**(1,181)**	**(1,638)**

Segmental assets and liabilities as at 31 July 2016

	UK £000	Ireland £000	France £000	Total £000
Non-current assets	4,913	757	—	5,670
Current assets	1,951	—	—	1,951
Total assets	**6,864**	**757**	**—**	**7,621**
Non-current liabilities	(2,342)	(5)	—	(2,347)
Current liabilities	(592)	—	—	(592)
Total liabilities	**(2,934)**	**(5)**	**—**	**(2,939)**
Other segment items				
Capital expenditure	925	294	5	1,224
Depreciation	195	—	—	195
Share based payments	13	—	—	13

100% of the total revenue (2016: 100%) relates to UK based customers. Of this figure, one single customer (2016: one) commands more than 99% of the total.

Notes to the financial statements (continued)

3 Loss before taxation

Loss before taxation is stated after charging:

	Note	2017 £000	2016 £000
Depreciation on property, plant & equipment	12	**184**	195
Staff costs including Directors	5	**903**	878
Exploration write-off	11	**—**	1,162
Fees payable to the auditor for the audit		**46**	42
Fees payable to the auditor for taxation services		**1**	4
Operating leases – land and buildings	23	**40**	40
Amount of inventory recognised as an expense		**9**	—
Foreign exchange loss		**12**	—

4 Directors' emoluments

Directors' salaries and fees – Company and Group

	2017 £000	2016 £000
CW Ahlefeldt-Laurvig	**20**	23
C Bousfield	**32**	36
RJHM Corrie	**20**	23
P Greenhalgh	**123**	138
HGD Mackay	**143**	160
	338	380

Directors' pensions

P Greenhalgh	**18**	20
HGD Mackay	**21**	23
	39	43

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

Directors' share based payments

	2017 £000	2016 £000
C Bousfield	**3**	6
RJHM Corrie	**4**	—
P Greenhalgh	**32**	—
HGD Mackay	**55**	—
	94	6

The above represents the accounting charge in respect of share options. No share options were exercised during the period (2016: none).

4 Directors' emoluments

Directors' total emoluments

	2017 £000	2016 £000
Salaries and fees	**338**	380
Social security costs	**42**	48
Pensions	**39**	43
Share based payments	**94**	6
	513	477

5 Employee information

Average monthly number of employees including Directors – Group

	2017 Number	2016 Number
Management and technical	**8**	8
Field exploration and production	**4**	4
	12	12

Staff costs – Group

	2017 £000	2016 £000
Wages and salaries (including Directors' emoluments)	**631**	697
Social security	**77**	86
Pensions	**79**	82
Share based payment (note 20)	**116**	13
	903	878

Average monthly number of employees including Directors – Company

	2017 Number	2016 Number
Management and technical	**8**	8
	8	8

Staff costs – Company

	2017 £000	2016 £000
Wages and salaries (including Directors' emoluments)	**467**	527
Social security	**55**	64
Pensions	**56**	57
Share based payment (note 20)	**111**	10
	689	658

6 Profit on disposal of fixed asset

	2017 £000	2016 £000
Sales price	**—**	338
Net book value of asset	**—**	(308)
Legal fees	**—**	(2)
	—	28

The property in Abingdon was sold on 20 July 2016 for £337,500.

Notes to the financial statements (continued)

7 Finance income

	2017 £000	2016 £000
Bank interest received	**2**	4
Interest rate swap fair value credit	**—**	2
Exchange rate gains	**—**	58
	2	64

8 Finance expense

	2017 £000	2016 £000
Unwinding of discount on decommissioning provision (note 18)	**223**	204
Other finance expense	**11**	24
	234	228

9 Taxation

	2017 £000	2016 £000
Movement in deferred tax asset (note 17)	**(239)**	(157)
Movement in deferred tax liability (note 17)	**55**	(109)
Tax credit	**(184)**	(266)

UK corporation tax is calculated at 30% (2016: 30%) of the estimated assessable profit for the year being the applicable rate for a ring-fence trade excluding the Supplementary Charge of 20% to December 2015 and 10% from January 2016.

	2017 £000	2016 £000
Loss before tax	**(675)**	(1,904)
Tax reconciliation		
Loss multiplied by the standard rate of corporation tax in the UK of 30% (2016: 30%)	**(203)**	(571)
Expenses not deductible for tax purposes	**35**	353
Other reconciling items including UK Supplementary Charge	**(16)**	(48)
Total tax credit	**(184)**	(266)

10 Earnings per share

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

As the Group made a loss from continuing operations in both the current and prior years, any potentially dilutive instruments are considered to be anti-dilutive. Therefore the diluted EPS is equal to the basic EPS. As at 31 July 2017 there were 23,264,440 (2016: 15,445,000) potentially dilutive instruments in issue.

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

	2017 £000	2016 £000
Loss for the year attributable to the equity shareholders of the parent	**(491)**	(1,638)
Weighted average number of shares		
For the purposes of basic and diluted EPS	**252,472,992**	244,888,011

11 Intangible assets

Intangible assets – Group

	2017 £000	2016 £000
At 1 August	**4,453**	4,839
Additions	**1,423**	776
Sale of 3.34% interest in PEDL180 and PEDL182	**(600)**	—
Exploration write-off	**—**	(1,162)
At 31 July	**5,276**	4,453

During the year the Group sold 3.34% of its interest in both PEDL180 and PEDL182 to Union Jack Oil for £600,000. The sale of a further 10% interest in PEDL180 and PEDL182 to Upland was not completed in the period and as the £160,000 received is potentially repayable, it is reported in 'Other Payables' in note 16. Intangible assets comprise the Group's pre-production expenditure on licence interests as follows:

	2017 £000	2016 £000
Ireland FEL 2/13 (Doyle A,B,C, Kilroy, Keane & Kiely)	**340**	224
Ireland FEL 3/13 (Beckett, Wilde, Shaw)	**725**	487
Ireland FEL 1/17 (LO 16/2)	**224**	35
Ireland LO 16/19	**61**	8
Ireland LO 16/20	**206**	—
Ireland LO 16/21	**38**	—
Ireland LO 16/22	**48**	—
UK PEDL143 (Holmwood)	**901**	721
UK PEDL180 (Wressle)	**2,527**	2,672
UK PEDL181	**60**	47
UK PEDL182 (Broughton North)	**24**	223
UK PEDL299 (Hardstoft)	**12**	5
UK PEDL343 (Cloughton)	**69**	—
UK Block 41/24 (Maxwell)	**41**	31
Total	**5,276**	4,453

Exploration write-off		
France (Béarn des Gaves)	**—**	1,162
Total	**—**	1,162

The drilling of an exploration well at Holmwood and developing the discovery at Wressle are subject to the securing of certain planning permissions. If these are not secured then the PEDL143 and PEDL180 intangible assets disclosed above will be impaired. If the Group is not able to or elects not to continue in any other licence, then the impact on the financial statements will be the impairment of some or all of the intangible assets disclosed above. Further details of commitments are included in note 22.

Notes to the financial statements (continued)

11 Intangible assets (continued)

Intangible assets – Company

	2017 £000	2016 £000
At 1 August	**43**	1,160
Additions	**534**	45
Exploration write-off	**—**	(1,162)
At 31 July	**577**	43

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

	2017 £000	2016 £000
Ireland FEL 1/17 (LO 16/2)	**224**	35
Ireland LO 16/19	**61**	8
Ireland LO 16/20	**206**	—
Ireland LO 16/21	**38**	—
Ireland LO 16/22	**48**	—
Total	**577**	43

12 Property, plant and equipment

Property, plant and equipment – Group

	Furniture & computers £000	Leasehold building £000	Producing fields £000	Total £000
Cost				
At 1 August 2015	50	437	10,785	11,272
Additions	1	—	—	1
Disposal	—	(437)	—	(437)
At 31 July 2016	51	—	10,785	10,836
Additions	1	—	5	6
At 31 July 2017	**52**	**—**	**10,790**	**10,842**
Depreciation, depletion and impairment				
At 1 August 2015	44	122	9,544	9,710
Charge for year	3	7	185	195
Disposal	—	(129)	—	(129)
At 31 July 2016	47	—	9,729	9,776
Charge for year	2	—	182	184
At 31 July 2017	**49**	**—**	**9,911**	**9,960**
Net book value				
At 31 July 2015	6	315	1,241	1,562
At 31 July 2016	4	—	1,056	1,060
At 31 July 2017	**3**	**—**	**879**	**882**

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

The carrying value of each producing field was tested for impairment by comparing the carrying value with the value-in-use. The value in use was calculated using a discounted cash flow model with production decline rates of 7-8%, Brent crude prices rising from US$56 per barrel in 2018 to US$71 in 2021 and a pre-tax discount rate of 21%. The pre-tax discount rate is derived from a post-tax rate of 10%, and is high because of the applicable rate of tax in the UK. Cash flows were projected over the expected life of the fields which is expected to be longer than five years. There was no impairment in the year (2016: no impairment).

Sensitivity to key assumption changes

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

	Impairment of producing fields £000
Production decline rate (current assumption 7-8%)	
20%	—
30%	27
Brent crude price per barrel (current assumption US$54/bbl in 2016 rising to US$74/bbl in 2020)	
10% reduction in the assumed forward price	76
20% reduction in the assumed forward price	247

Notes to the financial statements (continued)

12 Property, plant and equipment (continued)

Property, plant and equipment – Company

	Furniture & computers £000	Long leasehold building £000	Total £000
Cost			
At 1 August 2015	50	437	487
Additions	1	—	1
Disposals	—	(437)	(437)
At 31 July 2016	51	—	51
Additions	1	—	1
Disposals	—	—	—
At 31 July 2017	**52**	**—**	**52**
Depreciation			
At 1 August 2015	44	122	166
Charge for the year	3	7	10
Disposals	—	(129)	(129)
At 31 July 2016	47	—	47
Charge for year	2	—	2
Disposals	—	—	—
At 31 July 2017	**49**	**—**	**49**
Net book value			
At 31 July 2015	6	315	321
At 31 July 2016	4	—	4
At 31 July 2017	**3**	**—**	**3**

The Abingdon property was sold in July 2016 for £337,500. The proceeds were used to fully repay the loan secured against the property and an interest rate swap.

13 Investments – Company

Investment in subsidiaries

	2017 £000	2016 £000
At 1 August	**2,335**	2,332
Provide against investment in subsidiary	**—**	—
Current year additions	**5**	3
At 31 July	**2,340**	2,335

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

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

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

The results of the four companies have been included in the consolidated accounts. Europa Oil & Gas Limited owns 100% of the ordinary share capital of Europa Oil & Gas Resources Limited (this UK company is non-trading). On 12 August 2016, Europa Oil & Gas Limited acquired 100% of the ordinary share capital of Europa Oil & Gas (UK) Limited which held a 22.5% interest in the UK licence PEDL343. The interest in PEDL343 was transferred to Europa Oil & Gas Limited and Europa Oil & Gas (UK) Limited is non trading.

In 2015, with the impairment of intangible assets (note 11) and property, plant and equipment (note 12) held by Europa Oil & Gas Limited, the Directors considered that the recoverable amount of investment by the Company in the subsidiary was also impaired. The value of the investment was therefore written down to the net asset value, which is considered to equate to the fair value.

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

14 Inventories – Group

	2017 £000	2016 £000
Oil in tanks	**14**	23

15 Trade and other receivables

	Group		Company	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Current trade and other receivables				
Trade receivables	**612**	120	**—**	—
Other receivables	**117**	—	**30**	—
Prepayments	**157**	90	**126**	44
	886	210	**156**	44
Non current other receivables				
Owed by Group undertakings (note 24)	**—**	—	**714**	491

At the reporting date one amount of £218,000 owed by a partner on a UK licence was past due. The receivable was not impaired as it was expected that the sum would be collected. The sum was received in full on 14 August 2017.

16 Trade and other payables

	Group		Company	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Trade payables	**697**	313	**151**	58
Other payables	**248**	131	**48**	114
	945	444	**199**	172

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

Notes to the financial statements (continued)

17 Deferred tax – Group

Recognised deferred tax asset/(liability):

	2017 £000	2016 £000
As at 1 August	**157**	(109)
Credited to statement of comprehensive income	**184**	266
At 31 July	**341**	157

The Group has a deferred tax liability of £1,542,000 (2016: £1,487,000) arising from accelerated capital allowances and a deferred tax asset of £1,883,000 (2016: £1,644,000) arising from trading losses which will be utilised against future taxable profits. These have been offset against each other resulting in the total net asset of £341,000 (2016: net asset £157,000). This offsetting is 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 £3,162,000 (2016: £3,378,000), which arises mainly in relation to non ring-fence UK trading losses of £11.7 million (2016: £11.8 million) and Company losses of £0.5 million (2016: £0.1 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.

18 Provisions – Group

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

Long-term provisions

	2017 £000	2016 £000
As at 1 August	**2,347**	2,143
Charged to statement of comprehensive income (note 8)	**223**	204
At 31 July	**2,570**	2,347

No provisions have been recognised in the Company.

19 Called up share capital

	2017 £000	2016 £000
Allotted, called up and fully paid ordinary shares of 1p		
At 1 August 244,888,011 shares (2016: 244,888,011)	**2,449**	2,449
Issued in the year 56,500,368 shares (2016: nil)	**565**	—
At 31 July 301,388,379 shares (2016: 244,888,011)	**3,014**	2,449

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

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

In 2005, the Company issued 39,999,998 ordinary shares of 1p at a nil premium in exchange for the entire shareholding of Europa Oil & Gas Limited. This gave rise to the merger reserve at 31 July 2017 of £2,868,000 (2016: £2,868,000).

The following describes the purpose of each reserve within owners' equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value
Merger reserve	Reserve created on issue of shares on acquisition of subsidiaries in prior years
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

20 Share based payments

There are 23,264,440 ordinary 1p share options outstanding (2016: 15,445,000). These are held by certain members of the Board: C Bousfield 500,000 (2016: 500,000); RJHM Corrie 950,000 (2016: 650,000); P Greenhalgh 5,775,000 (2016: 4,275,000); HGD Mackay 11,700,000 (2016: 8,200,000) and employees of the Group 2,490,000 (2016: 1,820,000) consultants and advisors 1,849,440 (2016: nil).

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

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

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

The 1,399,440 options are subject to no further vesting conditions and expire on the 2nd anniversary of the grant date.

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

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

The inputs used to determine the values of the 3,560,000 options granted in 2016 are detailed in the table below:

Grant date	13 July 2016	13 July 2016	13 July 2016	13 July 2016
Number of options	610,000	1,550,000	980,000	420,000
Share price at grant	3.75p	3.75p	3.75p	3.75p
Exercise price	6.5p	6.5p	6.5p	6.5p
Volatility	75%	75%	75%	75%
Dividend yield	nil	nil	nil	nil
Risk free investment rate	0.41%	0.41%	0.41%	0.41%
Option life (years)	6	6	6	6
Fair value per share	1.9p	1.33p	1.9p	1.9p

The 610,000 options are exercisable 12 months after grant, with no further vesting conditions.

The 1,550,000 options vest if the share price is above 10p for 30 days.

The 980,000 and 420,000 options vest subject to a Farm-out of the Irish licences and Wressle production respectively.

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

Based on the fair values above, the charge arising from employee share options was £114,000 (2016: £13,000). The charge relating to non-employee share options was £2,000 (2016: £nil). The charge allocated direct to equity, relating to the issue of options on the issue of share capital, was £23,000 (2016: £nil).

Notes to the financial statements (continued)

20 Share based payments (continued)

In the year 80,000 options expired, none were forfeited or exercised (2016: 1,391,626 expired, 80,000 forfeited and none were exercised).

	2017 Number of options	**2017 Average exercise price**	2016 Number of options	2016 Average exercise price
Outstanding at the start of the year	**15,445,000**	**11.62p**	13,356,626	12.38p
Granted	**7,899,440**	**6.65p**	3,560,000	6.5p
Expired	**(80,000)**	**25.0p**	(1,391,626)	6.0p
Forfeited	**—**	**—**	(80,000)	9.45p
Outstanding at the end of the year	**23,264,440**	**10.22p**	15,445,000	11.62p
Exercisable at the end of the year	**14,494,436**	**11.75p**	11,285,000	13.37p

The weighted average remaining contractual life of share options outstanding at the end of the period was 6.1 years (2016: 6.1 years).

21 Financial instruments

The Group's and Company's financial instruments comprise cash and cash equivalents, bank borrowings, loans, and items such as trade and other receivables and trade and other payables which arise directly from its operations. Europa's activities are subject to a range of financial risks the main ones being: credit; liquidity; interest rates; commodity prices; foreign exchange and capital. These risks are managed through ongoing review taking into account the operational, business and economic circumstances at that time.

Credit risk

The Group is exposed to credit risk as all crude oil production is sold to one multinational oil company. The customer is invoiced monthly for the oil delivered to the refinery in the previous month and invoices are settled in full on the 15th of the following month. At 31 July 2017 trade receivables were £612,000 representing one month of oil revenue and receivables due from project partners (2016: £120,000 representing one month of oil revenue). The fair value of trade receivables and payables approximates to their carrying value because of their short maturity. Any surplus cash is held on short-term deposit with Royal Bank of Scotland. The maximum credit exposure in the year was £612,000 (2016: £140,000). The Company exposure to third party credit risk is negligible. All material intercompany balances have been fully provided.

Liquidity risk

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

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

	Group Trade and other payables		Company Trade and other payables	
At 31 July	**2017 £000**	2016 £000	**2017 £000**	2016 £000
6 months or less	**945**	444	**199**	172
Total	**945**	444	**199**	172

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.

Commodity price risk

The selling price of the Group's production of crude oil is set at a small discount to Brent prices. The table below shows the range of prices achieved in the year and the sensitivity of the Group's Loss Before Taxation ('LBT') to such movements in oil price. There would be a corresponding increase or decrease to net assets. There is no commodity price risk in the Company.

Oil price	Month	**Price 2017 US$/bbl**	**LBT 2017 £000**	Price 2016 US$/bbl	LBT 2016 £000
Highest	Feb 17	**54.1**	**(478)**	47.3	(1,731)
Average		**49.0**	**(641)**	41.5	(1,904)
Lowest	Nov 16	**44.1**	**(804)**	30.0	(2,257)

21 Financial instruments (continued)

Foreign exchange risk

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

US Dollar	Month	**2017 Rate US$/£**	**2017 LBT £000**	2016 Rate US$/£	2016 LBT £000
Highest	Jul 17	**1.318**	**(697)**	1.544	(1,979)
Average		**1.272**	**(641)**	1.452	(1,904)
Lowest	Oct 16	**1.221**	**(574)**	1.327	(1,785)

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

		Group		Company	
Currency	Item	**2017 £000**	2016 £000	**2017 £000**	2016 £000
Euro	Cash and cash equivalents	**11**	1	**11**	1
	Trade and other payables	**(5)**	(49)	**(5)**	(18)
US Dollar	Cash and cash equivalents	**691**	397	**4**	8
	Trade and other receivables	**118**	326	**—**	—
	Trade and other payables	**(71)**	(15)	**—**	(3)
Total		**744**	660	**10**	(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 19) and bank borrowings (currently nil). The Board monitors the level of capital as compared to the Group's long-term debt commitments and adjusts the ratio of debt to capital as is determined to be necessary, by issuing new shares, reducing or increasing debt, paying dividends and returning capital to shareholders. The Group is not subject to any externally imposed capital requirements.

22 Capital commitments and guarantees

At the reporting date, the Group had a contractual commitment to drill a well on PEDL143 (Holmwood) before September 2018. Europa's share of the well cost is expected to be £0.2 million. For PEDL299 (Hardstoft) and PEDL343 (Cloughton) there is a commitment to acquire seismic and Europa's share of combined cost is expected to be £0.9 million. The four Irish LOs and FEL 1/17 have a total work commitment which is expected to cost £1.1 million.

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

23 Operating lease commitments

Europa Oil & Gas Limited pays annual site rentals for the land upon which the West Firsby and Crosby Warren oil field facilities are located. The West Firsby lease runs until September 2022 and can be terminated upon giving two months' notice. The annual cost is currently £20,000 (2016: £20,000) and increases annually in line with the retail price index. The Crosby Warren lease runs until December 2022 and can be terminated on three months' notice. The annual cost is currently £20,000 (2016: £20,000).

Future minimum lease payments are as follows:

	2017 £000	**2016 £000**
Less than 1 year	**40**	40
2-5 years	**160**	160
5+ years	**—**	40
Total	**200**	240

Notes to the financial statements (continued)

24 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:

	2017 £000	2016 £000
Europa Oil & Gas Limited	**1,165**	1,129
Europa Oil & Gas (Ireland West) Limited	**4**	22
Europa Oil & Gas (Ireland East) Limited	**4**	24
Total	**1,173**	1,175

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

	2017 £000	2016 £000
Europa Oil & Gas (Ireland West) Limited	**240**	173
Europa Oil & Gas (Ireland East) Limited	**474**	318
Total	**714**	491

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

	2017 £000	2016 £000
Provision against intercompany loan at start of year	**12,197**	10,754
Increase in provision during the year	**1,038**	1,443
Provision against intercompany loan at end of year	**13,235**	12,197

25 Post reporting date events

- In September 2017 we announced an extension to the date by which the conditions of the Upland agreed sale of 10% interest in Wressle are to be satisfied to 28 February 2018.
- In October 2017 Surrey County Council approved a security fence at the Holmwood site but deferred a decision on traffic conditions.

Directors and advisers

Company registration number	5217946
Registered office	6 Porter Street London W1U 6DD
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Solicitor	Charles Russell Speechlys LLP 5 Fleet Place London EC4M 7RD
Auditor	BDO LLP 55 Baker Street London W1U 7EU
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