Europa Oil & Gas (Holdings) plc / Index: AIM / Epic: EOG / Sector: Oil & Gas

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Europa Oil & Gas (Holdings) plc ('Europa' or 'the Company')

USD 7 billion Net Mean Un-risked NPV10 for Offshore Ireland Prospects

Europa Oil & Gas (Holdings) plc, the AIM quoted oil and gas company with both producing and exploration assets in Europe, is pleased to announce that an independent assessment undertaken by ERC Equipoise ('ERCE') estimates a mean Un-risked Net Present Value ('NPV') of approximately US$7 billion to a 100% working interest (subject to government approval) in three prospects on Frontier Exploration Licence ('FEL') 3/13 in the Porcupine Basin, offshore Ireland. On a Risked NPV basis the study estimates a 100% working interest (subject to government approval) at US$1.1 billion. As announced on 12 May 2015, a Competent Persons Report ('CPR') prepared by ERCE detailed total Gross mean Un-risked Prospective Resources of 1.5 billion barrels of oil equivalent ('bboe') across the three prospects in FEL 3/13.

On 16 June 2015, Europa advised the market of an independent assessment by ERCE of the NPV of its then 15% carried interest in FEL 3/13. Following the announcement of 22 September 2015 that Kosmos Energy Ireland ('Kosmos') intends to withdraw from Ireland, Europa instructed ERCE to revise the NPV to reflect a 100% working interest in the permit and without the benefit of a carried work programme. The estimate of NPV provided today also incorporates an updated oil price assumption and cost deck.

CEO Hugh Mackay said "The CPR summary issued on 12 May 2015 identified significant potential volumes of hydrocarbons: Gross mean Un-risked Prospective Resources of approximately 1.5 billion barrels of oil equivalent across three prospects in FEL 3/13. With the imminent departure of Kosmos from the licence our net interest will revert to 100%, subject to government approval, with a potential Net mean Un-risked NPV10 of approximately US$7 billion and a Net mean Risked NPV10 of US$1.1 billion estimated by ERCE. We believe this is a very strong indication of the commercial potential in our licences in offshore Ireland.

"To realise this potential we need to drill exploration wells and find oil. Our mission is to land a farm-in partner to share the costs of drilling and the target audience is major and mid-cap oil companies. As a consequence of the drop in oil prices day rates for state of the art harsh-environment deepwater drilling rigs have halved. The next few years offer an opportunity to drill offshore Ireland at the lowest rig costs in over a decade. We are encouraged by the high levels of participation in the 2015 Atlantic Margin Licensing Round, particularly given the low oil price. It would appear that many other companies share our belief in the technical and commercial case for exploration offshore Ireland. I look forward to updating the market in due course as we focus on securing a farm-in partner with whom we can work to unlock the potential value of these prospects."

Further Information

ERCE's independent assessment of NPV follows their CPR on the Prospective Resources associated with the Wilde, Beckett and Shaw prospects on FEL 3/13 based on 3-D seismic data acquired in 2013 by the operator, Kosmos. These prospects are at the pre-drill stage and realisation of this potential value will require the drilling of exploration wells. ERCE estimates Un-risked and Risked NPV at a 10% discount rate (NPV10) for an uncarried 100% working interest as at 1 January 2015 for the Low, Best and High estimates of Prospective Resources as tabulated below:

Prospect	**Gross Oil & Gas Un-Risked Prospective Resources MMboe**			**Net Un-risked NPV10 (US$ Million)**				**Chance of Success (%)**	**Net Risked NPV10 (US$ Million)**
	Low	Best	High	Low	Best	High	Mean		Mean
Wilde	61	239	952	-170	122	5,595	1,676	19	318
Beckett	109	424	1,661	-170	1,692	11,628	4,114	15	617
Shaw	57	198	681	-170	110	4,631	1,302	13	169
Total							**7,092**		**1,105**

Notes:

1. The discounted cash flow analysis has been carried out assuming exploration drilling results in discovery of oil. However, due to the significant uncertainties in the available geological information, there is a possibility that exploration drilling, if successful, will result in the discovery of gas.
2. MMboe means millions of barrels of oil plus gas converted to oil using a conversion rate of six thousand cubic feet of gas for each barrel of oil.
3. "Gross Oil and Gas Un-risked Prospective Resources" are 100% of the volumes estimated to be recoverable from an undrilled prospect before applying the geological chance of success (COS)
4. The COS is an estimate of the probability that drilling the prospect would result in a discovery
5. Prospective Resources are "Un-risked" in that the volumes have not been multiplied by the COS
6. Net Un-risked NPV10 means the NPV10 at 10% discount rate as at 1 January 2015 attributable to Europa's 100% working interest in the Prospect before multiplying by the COS
7. Net Risked NPV10 means the NPV10 at 10% discount rate as at 1 January 2015 attributable to Europa's 100% working interest in the Prospect after multiplying by the COS.
8. The analysis for the Best and High cases assumes the successful drilling of an exploration well on each prospect in 2017 followed in each case by appraisal drilling and then development.
9. The Low estimates of NPV10 for each prospect comprise the Net cost to Europa of an exploration and appraisal well, this is because discounted cash flow modelling of each of the Low cases resulted in a more negative NPV10.

10. The Mean estimate of the NPV10 for each prospect has been calculated by adding the Low, Best and High estimates of NPV10 weighted by 0.3, 0.4 and 0.3 respectively (the Swanson's Mean)
11. The NPV10 calculations presented in this report simply represent discounted future cash flow values. Though NPV estimates form an integral part of fair market value estimations; without consideration for the exploration risk factor (COS) and other economic criteria, including market perception of risk, they are not to be construed as opinions of fair market value.
12. The cash flows and NPV10 estimates have been calculated assuming a nominal oil price of US$57 bbl in 2015 rising to US$87 bbl by 2019 and inflated at 2% thereafter.

Europa notes that the drilling costs used in the NPV calculation are those associated with the US$100/bbl oil price prevailing over much of the last five years (i.e. rig rates of US$600,000 / day). The Company believes that a continued period of lower oil prices will result in lower drilling costs. Sensitivity analysis suggests that a 20% decrease in capital expenditure might increase the Un-risked and Risked Mean NPV10 by approximately 20%.

The process for transfer of Kosmos' interest and operatorship of FEL 2/13 and 3/13 to Europa is ongoing and is subject to obtaining relevant approval from the Irish Authorities. On completion of this process and assuming a successful outcome, Europa will seek to farm-out some of its interests in both licences. Europa will be participating in the Atlantic Ireland conference in Dublin on 27 October. The Company encourages interested parties to visit its booth at the conference or attend its presentation.

The process for marketing the farm-out has begun and the dataroom will open in Q1 2016. Although the 2015 Atlantic Margin Licensing Round closed on 16 September awards have not been made yet and the award process remains live. For reasons of confidentiality the full CPR and valuation reports will not be issued into the public domain, they will be part of the farm-out dataroom. Europa has previously confirmed that it participated in the Round and made multiple applications.

Following the RNS issued on 12 May 2015 summarising the CPR on Prospective Resources in FEL 3/13, Europa commissioned ERCE to prepare an independent report on NPV for the FEL 3/13 prospects. Although it is comparatively unusual for junior oil companies to commission such third party valuation work at this early stage in the exploration cycle, the Company feels it is important that investors and potential farm-in partners are provided with an independent and credible valuation. As with the Prospective Resources CPR, the valuation has been subjected to rigorous technical challenge and scrutiny by ERCE.

The Beckett, Wilde and Shaw prospects are located SW of Ireland, approximately 125 km from shore. ERCE has previously calculated a Low, Best and High resource volume for these prospects. Due to water depths in excess of 1,000m each prospect would be developed by a Floating, Production, Storage and Offloading unit ('FPSO') in the event of successful exploration drilling. The prospects are located in challenging environmental conditions, where high wave heights must be accounted for in FPSO design. This in turn limits throughput rates. Discovery size will also alter facility design, particularly with respect to produced gas handling. ERCE has accounted for these aspects in its forecasting work. ERCE conducted an independent review of the production, operating expenditure, capital and abandonment expenditure and associated discounted cash flow analysis of two Prospects; Beckett and Wilde and used that analysis to derive value for the Shaw Prospect.

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Notes

Europa Oil & Gas (Holdings) plc has a diversified portfolio of multi-stage hydrocarbon assets that includes production, exploration and development interests, in countries that are politically stable, have transparent licensing processes, and offer attractive terms. In 2015 Europa produced 141 boepd. Its highly prospective exploration projects include the Wressle discovery (recently drilled and tested at an aggregate of 710 boepd from 4 zones) in the UK; 100% owned gas exploration prospect (107 bcf) and appraisal project (CPR 277 bcf) in onshore France a joint venture with Vermillion Energy also in onshore France; and two licences in offshore Ireland with the potential to host gross mean un-risked Prospective Resources approximately 1.7 billion barrels across both licences.