

14 March 2016

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

Europa Oil & Gas (Holdings) PLC is pleased to provide its investors with the following update on its portfolio of multistage licences onshore and offshore UK, offshore Ireland, and onshore France covering the period from the AGM on 9 December 2015 to date. This period has seen significant news emerge from both Ireland and the UK, specifically regarding the award of the following new licences:

- Awarded strategically important Licensing Option ('LO 16/2') in the southern Porcupine Basin, offshore Ireland, as part of Phase 1 of the 2015 Atlantic Ireland round – based on its proprietary 3D seismic, Europa believes LO 16/2 contains three prospects with gross mean un-risked prospective resources of 895 million barrels of oil equivalent ('boe')
  - The new Licensing Option is adjacent to Europa's existing prospects in FEL 3/13 in the south Porcupine Basin, where 1.5 billion boe of gross mean un-risked prospective resources have already been identified
  - Including LO 16/2, Europa now has a 100% interest in an estimated three billion boe of gross mean un-risked prospective resources across its three licences in the south Porcupine Basin
  - A number of major international oil companies have also been offered awards of Licensing Options in Phase 1 of the 2015 Atlantic Margin Licensing Round and the level of interest shown in the acreage endorses the prospectivity of the basin
  - A second phase of awards is due to be announced in May 2016 and Europa eagerly awaits news on its remaining applications
- Three new onshore licences awarded in the 14<sup>th</sup> UK Onshore licensing round, which Europa believes have a number of exciting leads and prospects

In addition, Europa has seen further progress on two of the Company's onshore UK licences:

- Planning for development of the Wressle field, which has already seen production in excess of 700 boepd from the exploration well
- Well planning for an exploration well on Holmwood in the Weald basin, which has gross mean un-risked prospective resources in excess of 5 million boe

Europa CEO Hugh Mackay said, "With the award of a new strategically important licence in Ireland, which saw us beat off competition from major international oil companies, together with our three new licences onshore UK, all of which have great potential, this is a tremendously exciting period for Europa. In addition, we continue to move our existing UK

acreage forward through ongoing work on the development of the Wressle discovery which has the potential to double our existing production in H2 2016, and also the preparation for an exploration well at Holmwood, following our recent successful planning appeal. Holmwood is located adjacent to PEDL 137 which has recently demonstrated hydrocarbon flows from the Horse Hill-1 exploration well. A Horse Hill partner, UK Oil and Gas Investments, has joined the Holmwood licence following its farm-in agreements with Egdon and Warwick, our other two partners at Holmwood.

“We are continuing with our own farm-out activities, seeking partners in Ireland, at Holmwood and Bearn-des-Gaves in France. Whilst the current oil price provides challenges to all those active in the sector, the reductions seen in service sector costs will flow through to lower exploration and development costs which can only be of benefit as we seek partners to work with us as we continue maturing our portfolio.”

## **Ireland**

Our work in Ireland is focussed on two areas:

1. Farm-out of Frontier Exploration Licence (FEL) 2/13, FEL 3/13 and Licensing Option (LO) 16/2
2. New licence applications in the 2015 Atlantic Margin Licensing Round

On 22 February 2016 it was announced that Europa had been awarded a 100% interest in LO 16/2. LO 16/2 comprises some 522km<sup>2</sup> of ground and adjoins the eastern boundary of FEL 3/13. Europa has identified three new pre-rift prospects in LO 16/2 with combined gross mean un-risked prospective resources of 895 million boe. The new prospects were mapped on Europa’s proprietary 3D seismic that was acquired in 2013. Europa has a 100% interest in FEL 3/13 and on 12 May 2015 issued a summary Competent Persons Report (‘CPR’) by ERC Equipoise confirming gross mean un-risked prospective resources of some 1.5 billion boe across three Cretaceous prospects on the licence with a potential mean Un-risked NPV10 of approximately US\$7 billion and a mean Risked NPV10 of US\$1.1 billion. Europa therefore has a 100% interest in almost 2.4 billion boe gross mean un-risked prospective resources in the combined six prospects in FEL 3/13 and LO 16/2. The next steps on LO 16/2 will be to invest further technical work to mature the prospects to drillable status and deliver a CPR later in 2016.

There is clear technical and commercial synergy between LO 16/2 and FEL 3/13, and as a result LO 16/2 can now be included as part of the ongoing farmout of FELs 2/13 and 3/13. The combined audited and unaudited gross mean un-risked prospective resources across FELs 2/13 and 3/13 and LO 16/2 are almost 3 billion boe (see table below). For the avoidance of doubt prospective resources are by definition recoverable.

<b>Licence</b>	<b>Gross mean Un-risked prospective resources MMboe</b>	<b>Comment</b>
FEL 3/13	1,492	ERC Equipoise CPR
LO 16/2	895	Europa in-house
FEL 2/13	595	Europa in-house
<b>Total</b>	<b>2,982</b>	

Licence awards in the 2015 Atlantic Ireland round will be conducted in two phases. The first phase announced on 11 February 2016 was designed to accommodate applications in areas where firm seismic acquisition programmes form part of Licensing Option work programmes with some surveys planned to be acquired in summer 2016. Whilst Europa has been awarded a Licensing Option in the Phase 1 awards, the Company has not offered firm seismic as part of its work programme since it already has 3D seismic over LO 16/2. Investors may recall that this seismic was acquired and processed under the terms of Europa's carried work programme with Kosmos Energy. Phase 2 awards will be made in May 2016. Europa has made other applications that will be considered by the Irish authorities and management looks forward to the award outcome with great interest.

The open acreage around FEL 2/13 has been bid for and will be awarded in Phase 2. The open acreage to the north of FEL 3/13 has been bid for and will be awarded in Phase 2. The area to the south of FEL 3/13 has been awarded to Woodside Energy as part of Phase 1. A licence map can be found on the DCENR website:

[http://www.dcenr.gov.ie/natural-resources/SiteCollectionDocuments/Oil-and-Gas-Exploration-and-Production/Concession\\_Map\\_A3\\_Feb2016\\_LR.pdf](http://www.dcenr.gov.ie/natural-resources/SiteCollectionDocuments/Oil-and-Gas-Exploration-and-Production/Concession_Map_A3_Feb2016_LR.pdf).

The dataroom for the farmout of both FELs 2/13 and 3/13 opened on 11 January 2016. The target farminee candidates are major and mid-cap oil companies. We will not be providing a running commentary on the farm out progress other than to comment that the response has been very good and we are getting the target companies into the data room.

Whilst many commentators are suggesting that exploration is dead this is clearly not the case in the North Atlantic. We are pleased to note that in addition to our licence award we have new neighbours in the Porcupine basin. These include ENI (partnered with BP), ExxonMobil, Statoil, Nexen, Scotia and Woodside. Despite the low oil price the response to Ireland's 2015 Atlantic Margin licensing was very good with 43 applications received from 17 companies. This is the best response to any licensing round ever conducted in Ireland and provides a strong endorsement to our long held belief in the technical and commercial potential of Ireland's Atlantic basins. Also during 2015 and on the other side of the Atlantic in offshore

Newfoundland C\$1.9 billion were committed for exploration programmes in the Flemish Pass basin (with 25% or C\$450 million payable up front in cash). This is a very large sum for exploration irrespective of oil price. It is notable that some of the participants in Newfoundland are also participants in the Irish Atlantic Round namely; ExxonMobil, BP, Statoil and Nexen. Statoil has pioneered a new play in the Flemish Pass Basin and their 2013 Bay du Nord oil discovery was the largest discovery in the world that year.

## **UK**

Europa has been awarded three new licences in the 14<sup>th</sup> round: PEDL 299 Hardstoft; PEDL 386 Cloughton; and PEDL 286 Goole. In addition we are preparing to drill at Holmwood in PEDL 143 in the Weald Basin and the oil discovery at Wressle is being prepared for production.

### **PEDL 143 Holmwood**

During 2015 planning permission was obtained for both the surface well location and underground well path for an exploration well located in Bury Hill Wood to test the Holmwood prospect. Holmwood is a conventional oil prospect that was first identified by BP in 1988 and has been waiting to be drilled ever since. Europa intends to drill the well during the winter of 2016/17, subject to financing or an acceptable farmout. The Company is working under the supervision of Surrey County Council to discharge various conditions associated with the planning permission. Detailed well planning is also being undertaken.

Holmwood is a conventional prospect with gross mean un-risked prospective resources of 5.6 million barrels of oil (mmbo) in Portlandian and Corallian sandstones. The P90 – P10 range in resources is 1 to 11 mmbo which is the typical range for the Weald Basin based on the 14 oil and gas fields that have been found and produced to date. Were Holmwood to come in at 5.6 mmbo it would be the fifth largest oil field in onshore UK. Almost 250 wells have been drilled in the Weald Basin of Hampshire, Kent, Surrey and Sussex resulting in the discovery of some 50 million barrels of oil of which 30 million barrels have been produced to date. Peak drilling was in 1986 when 27 wells were drilled across the counties that year. Note that resources have not been estimated in Jurassic limestones equivalent to the ones found to be producing in Horse Hill.

Europa notes with interest progress at the Horse Hill-1 exploration well 12km to the east in PEDL 137 where UK Oil & Gas Investments PLC ('UKOG') have reported production at a combined average stable rate of over 1,528 bopd from Upper and Lower Kimmeridge Limestone reservoirs and Upper Portland sandstone reservoir. UKOG is also a partner in PEDL 143 and will exchange technical insights as appropriate. The Holmwood exploration well will penetrate similar stratigraphy to Horse Hill and it is possible that it may also encounter oil in Upper and Lower Kimmeridge Limestones in addition to Corallian and Portlandian sandstones. Europa has a 40% interest and is operator of PEDL 143.

Management is seeking to farm-out an interest prior to drilling the Holmwood well and the exploration success at Horse Hill is assisting this process.

### **PEDL 180 Wressle**

Europa has a 33.3% interest in the Wressle oil and gas discovery. Wressle was drilled in 2014 and was production tested in 2015. Production testing flowed an aggregate of 710 boepd from four tests in three conventional sandstone reservoirs.

Work is currently focussed on delivering production start-up from the Ashover Grit in H2 2016. The target production rate on start-up is 500 bopd. The Ashover flowed 80 bopd and 47 mcf/d on production test last year, however, the flow was inhibited by formation damage, also known as “skin”. Skin is a very typical issue with Carboniferous reservoirs in the East Midland petroleum province and can be overcome by various well intervention methodologies. The Europa operated Crosby Warren field is 5km from Wressle and on production start-up in 1986 it also had problems with skin flowing at 60 bopd, after stimulation it flowed at 500 bopd and continues to produce almost 30 years later at 30 bopd. The Ashover Grit at Wressle is at a similar stratigraphic level to the producing sand at Crosby Warren and the oil properties are identical. Europa along with its partners is therefore confident that with appropriately designed and executed operations that Wressle is capable of delivering 500 bopd of which Europa’s 33.34% share would be 165 bopd.

Egdon is the operator and is responsible for delivering the Field Development Plan, Planning Permission, Environment Agency permits and CPR.

In addition there are other prospects and targets on the Crosby Warren – Broughton – Wressle trend and more information will be provided in due course. This will include the Penistone Flags oil leg discovered by the Wressle exploration well.

### **14th UK Landward Licensing Round**

Europa announced the conditional award of three licences in the 14<sup>th</sup> round in onshore UK comprising an oil field rejuvenation project, a gas appraisal project and a pure conventional exploration licence. Formal award has yet to be completed, however, in advance of this the Company is pleased to provide an overview of the licences.

### **PEDL 348 Cloughton**

This was Europa’s top rated application in 14th UK Landward Round and management is therefore pleased to have secured a 22.5% interest. Third Energy are the operator and their experience of operating exploration, production and infrastructure in the basin will be invaluable.

The licence contains the Cloughton gas discovery made by Bow Valley in 1986 who drilled an exploration well and tested gas to surface from Carboniferous sandstone reservoir. Europa's interest is to investigate the potential to deliver commercial quantities of gas from the Cloughton appraisal prospect.

### **PEDL 299 Hardstoft**

This is a historically significant licence containing the Hardstoft oil field which was discovered in 1919 by the UK's first ever exploration well. Around 26,000 barrels of oil were produced from Dinantian limestone. Europa's interest in this licence is in the potential of using modern drilling and production techniques to rejuvenate the Hardstoft field and deliver commercial oil production from the Dinantian limestone. One of Europa's partners in the licence, Upland Resources, has published a CPR by Blackwatch identifying gross 2C resources of 3.1 million barrels on the portion of the Hardstoft field in PEDL 289 and gross best case un-risked prospective resources of 3.65 mmbo in the Hardstoft East prospect. <http://uplandres.com/wp-content/uploads/2015/10/Upland-Resources-Final-Prospectus.pdf>

Europa will have a 16.7% interest in the conventional prospectivity of PEDL 299, INEOS are the operator.

### **PEDL 286 Goole**

Europa has a 50% interest and operatorship of this conventional exploration licence in the southern Cleveland Basin. The Company believes that the licence contains three conventional leads and may represent an extension of the Crosby Warren – Broughton – Wressle oil trend (perhaps with alternative sourcing from the main Cleveland Basin to north). The licence's neighbours immediately to the north are Cuadrilla who have built a strategic shale gas position with Bowland-Hodder shale at reasonable depths on the SW margin of the Cleveland Basin.

### **Southern North Sea - block 41/24**

Europa was conditionally awarded a 50% interest in a Promote Licence on block 41/24 in the Southern North Sea as part of the 28th Seaward Licensing Round alongside Arenite Petroleum Limited (50%), a private Scottish company. The block lies immediately offshore the town of Scarborough on the Yorkshire coast. The focus of work during the Promote Licence phase is to investigate the potential of the Carboniferous and Zechstein prospectivity. The Carboniferous has largely been overlooked as a viable target to date within block 41/24 but there are numerous hydrocarbon accumulations in the onshore extension of the Cleveland Basin and further south in the East Midlands. The licence shares technical and commercial synergies with PEDL 348 which lay behind the strategic decision by both partners to apply for both licences. As this is a promote licence, the partners are looking to jointly farm-out an interest in block 41/24. This farm-out process is underway and is being led by Arenite.

## UK Onshore Production

In the six months to 31 January 2016 the Company's production from three UK onshore fields sold for an average realised price of US\$41.7/bbl (H1 2015: US\$78.3/bbl). Average production in the period was 124 boepd (H1 2015: 144boepd), in line with our expectations, leading to revenue of £0.6 million (H1 2015: £1.3 million).

Net cash spent on operations during the period was £0.5 million (H1 2015 cash generated: £0.2 million). Our capital expenditure for the period was in line with our budget, resulting in a cash balance at the end of January 2016 of £1.8 million (31 July 2015: £3.2 million). This cash balance is in line with the Board's expectations, given the average realised price of the Company's oil production, and is sufficient to fund the Company's share of the anticipated development costs of bringing Wressle on stream later this year.

## France

The farm out of the Tarbes Val d'Adour permit to Vermilion Energy was announced on 16 February 2015. The process for both transfer of operatorship and interest to Vermilion and extension of the Permit remains ongoing. An update to the market will be provided once the French authorities provide the relevant approvals.

Europa continues to farmout the Bearn des Gaves permit.

The Company's interim results are expected to be released in early April.

And finally on the website ([www.europaoil.com](http://www.europaoil.com)) we have refreshed our NAV charts to take account of the new UK and Irish licences and we have posted the February AIM oil & gas ranking. Europa is 46<sup>th</sup> out of 93 companies on AIM, our highest ever ranking. We will work hard to maintain this trajectory.

For further information please visit [www.europaoil.com](http://www.europaoil.com) or contact:

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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 development (targeting production startup in H2 2016 at up to 500 bopd gross) 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 three licences offshore Ireland with the potential to host gross mean un-risked Prospective Resources of approximately 3 billion barrels across three licences.

#### **Qualified Person Review**

This release has been reviewed by Hugh Mackay, Chief Executive of Europa, who is a petroleum geologist with over 25 years' experience in petroleum exploration and a member of the Petroleum Exploration Society of Great Britain, American Association of Petroleum Geologists and Fellow of the Geological Society. Mr Mackay has consented to the inclusion of the technical information in this release in the form and context in which it appears.