This document is important and requires your immediate attention. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

The Directors, whose names appear on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the Existing Ordinary Shares, the Placing Shares and the Warrants to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.

A prospective investor should be aware of the potential risks of investing in such companies and should make the decision to invest only after careful consideration and if appropriate, consultation with an independent financial adviser. Attention is drawn, in particular, to Part III of this document entitled "Risk Factors".

The London Stock Exchange has not examined or approved the contents of this document.

A copy of this document, which has been drawn up in accordance with the Public Offers of Securities Regulations 1995 ("POS Regulations") and the AIM Rules and comprises a prospectus, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the POS Regulations.

Europa Oil & Gas (Holdings) plc

(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5217946)

Placing of 20,000,000 ordinary shares of 1p each at 25p per share
Admission to trading on the Alternative Investment Market of ordinary shares and warrants

by

Westhouse Securities LLP

Westhouse, which is regulated by The Financial Services Authority, is acting as nominated adviser and broker to Europa. Under the AIM Rules, a nominated adviser has certain responsibilities to the London Stock Exchange which are less onerous than the responsibilities of a sponsor of a company applying for its securities to be admitted to the Official List of the United Kingdom Listing Authority. In accordance with the AIM Rules, Westhouse has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received independent advice and guidance as to the nature of their responsibilities and obligations under the AIM Rules and that to the best of its knowledge and belief, all relevant requirements of the AIM Rules (save for compliance with the general duty of disclosure contained in Regulation 9 of the POS Regulations, in respect of which the nominated adviser is not required to satisfy itself) have been complied with. In giving its confirmation to the London Stock Exchange, Westhouse has not made its own enquiries except as to matters which have come to its attention which it considers it necessary to satisfy itself. Westhouse is not acting for any other persons and will not be responsible to anyone other than Europa for providing the protections afforded to customers of Westhouse or for providing advice in relation to the contents of this document, the Placing or the application for Admission. Westhouse has not authorised any part of this document for the purposes of Regulation 13(1)(g) of the POS Regulations. No liability is accepted by Westhouse for the accuracy of any information or opinions contained in, or for the omission of any material information from, this document for which the Directors are solely responsible.

The Placing is conditional, *inter alia*, on Admission taking place on or before 11 November 2004 (or such later date as Europa and Westhouse may agree but, in any event, not later than 11 December 2004). The Placing Shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares which will be in issue on Admission.

Westhouse is a trading name of Westhouse Securities LLP, a member of the London Stock Exchange and regulated by The Financial Services Authority, a subsidiary of Kredietbank Luxembourg and part of the Almanij-Kredietbank Group.

Copies of this document, which is dated 3 November 2004, will be available free of charge to the public during normal working hours on any weekday (except Saturdays and public holidays) from the registered office of the Company and from the offices of Westhouse, Clements House, 14-18 Gresham Street, London EC2V 7NN from the date of Admission for not less than one month.

CONTENTS

KEY INFORMATION

The following information is derived from the full text of this document. Prospective investors should read the whole document and not just rely on the key information set out below. In particular, attention is drawn to Part III which is entitled "Risk Factors".

Business

Europa is an established, independent oil and gas exploration and production group with interests (including two pending award by the DTI) in 12 projects in the UK, Romania, Ukraine and Poland. Europa is the operator in respect of five of these projects (including those pending) and has participated in four wells to date, all of which found commercial quantities of oil or gas. Three of its projects are currently in production, whilst another two are awaiting development. Current attributable production is around 330 boepd.

Specifically, Europa holds interests in two producing fields in the UK, an anticipated gas condensate development in the UK North Sea and has been offered two further exploration licences in the UK by the DTI. In Romania, Europa holds an interest in the recent Bilca gas discovery and four further exploration licences in the prolific Carpathian oil province. Europa additionally holds a majority interest in a producing gasfield in Ukraine and a royalty interest in an exploration licence in southern Poland.

Scott Pickford has undertaken a review of the oil and gas properties of Europa and concluded that the Group holds 2P reserves and contingent resources of 7.00 mmboe, with an estimated NPV[10] of $32.19 million. Scott Pickford's estimate of additional unrisked prospective resources is 28.05 mmboe, with an unrisked EMV[10] of $199.60 million.

The Directors apply a rigorous technical and commercial approach to the development of existing assets and to the suitability of new projects. The management has a strong mainstream oil and gas background, which enables Europa to identify, acquire and develop oil and gas producing assets successfully and to be in a position to be awarded new acreage and operatorship in jurisdictions such as the UK.

Strategy

Europa has embarked on a strategy to build the Group into a significant independent European-focused upstream oil and gas business. The Group has a twofold approach to the acquisition of new projects:

- The first element is to identify underexploited development and production projects in the European region and develop their full potential through the appropriate use of modern technology in its drilling programmes. The Directors are confident that further such opportunities will continue to be available within the European focus area; and
- Europa is also focusing on exploration of proven plays in established oil and gas provinces. This has already proved successful with its recent Bilca gas discovery in Romania. Exploration will continue to form an important, though not dominant, element of the Group's strategy in the future, providing significant upside potential for the Group.

Reasons for the Placing and Admission

Europa has an active near-term drilling and development programme planned for the next 12 months which has the potential to increase the proven reserves and resources of the Group significantly.

The Company is seeking to raise £5 million through the Placing in order to fund the next phase of the development of the existing projects and to provide finance for securing additional projects.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Sir James Michael Yorrick Oliver *(Non-Executive Chairman)* Paul Anthony Barrett *(Managing Director)* Dr. Erika Sandra Syba *(Operations Director)* Kristian Ewen Ainsworth *(Finance Director)* Christian William Ahlefeldt-Laurvig (*Non-Executive Director*) all of whose business address is: 52 Upper Brook Street London W1Y 1PG
Company Secretary and Registered Office	Paul Martin Smith No 1 Riding House Street London W1A 3AS
Nominated Adviser and Broker	Westhouse Securities LLP Clements House 14-18 Gresham Street London EC2V 7NN
Consultant to the Company	Peak Associates 52 Upper Brook Street London W1Y 1PG
Solicitors to the Company	Stringer Saul 17 Hanover Square London W1S 1HU
Solicitors to the Placing	Faegre Benson Hobson Audley LLP 7 Pilgrim Street London EC4V 6LB
Auditors and Reporting Accountants	Nexia Audit Limited No 1 Riding House Street London W1A 3AS
Independent Consultants	Scott Pickford Limited 4th Floor, Leon House 233 High Street Croydon CR0 9XT
Principal Bankers	Svenska Handelsbanken AB Trinity Tower 9 Thomas More Street London E1W 1GE Royal Bank of Scotland PLC 88 High Street Lanark ML11 7ET
Registrars	Computershare Investor Services PO Box 859 The Pavilions Bridgwater Road Bristol BS99 1XZ

DEFINITIONS

In this document, where the context permits or unless otherwise stated, the definitions set out below shall apply:

"Act"	the Companies Act 1985 (as amended)
"Admission"	admission of the Existing Ordinary Shares, the Placing Shares and the Warrants to trading on AIM and such admission becoming effective in accordance with the AIM Rules
"AIM"	the Alternative Investment Market of the London Stock Exchange
"AIM Rules"	the rules published by the London Stock Exchange governing admission to and the operation of AIM
"Board" or "Directors"	the directors of the Company whose names are set out on page 4 of this document
"Company"	Europa Oil & Gas (Holdings) plc
"CREST"	the relevant system (as defined in the Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the Regulations)
"DTI"	the UK Department of Trade and Industry, responsible for the regulation of the UK oil and gas industry
"EMI Scheme"	the Europa Oil & Gas (Holdings) plc Enterprise Management Incentive Scheme
"ENGU"	Europa Nafta I Gaz Ukraini, a subsidiary of EOG, incorporated in Ukraine
"EOG"	Europa Oil & Gas Limited, a subsidiary of the Company
"EOGWF"	Europa Oil & Gas (West Firsby) Limited, a subsidiary of the Company
"Europa" or "Group"	the Company and its subsidiaries
"Existing Ordinary Shares"	the 40,000,000 Ordinary Shares in issue at the date of this document
"London Stock Exchange"	London Stock Exchange plc
"Ordinary Shares"	the ordinary shares of 1p each in the capital of the Company
"Placing"	the conditional placing by Westhouse, as agent for the Company, of the Placing Shares at the Placing Price, together with the Warrants, pursuant to the Placing Agreement as described in this document
"Placing Agreement"	the conditional agreement dated 3 November 2004 and made between (1) Westhouse, (2) the Directors and (3) the Company, further details of which are set out in paragraph 6(d) of Part V of this document
"Placing Price"	25p per Placing Share
"Placing Shares"	the 20,000,000 new Ordinary Shares to be issued pursuant to the Placing
"POS Regulations"	the Public Offers of Securities Regulations 1995 (as amended)
"Regulations"	the Uncertificated Securities Regulations 2001
"Scott Pickford"	Scott Pickford, the independent consultants, whose report is set out in the Appendix to this document

"Shareholder(s)"	the person(s) who are registered as holder(s) of Ordinary Shares from time to time
"Share Option Schemes"	the EMI Scheme and the Unapproved Share Option Plan
"UK"	the United Kingdom of Great Britain and Northern Ireland
"Unapproved Share Option Plan"	the Europa Oil & Gas (Holdings) plc Unapproved Share Option Plan
"US" or "USA"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"US$" or "$"	United States dollars. Throughout this document, except where otherwise indicated, an exchange rate of £1: US$1.80 has been used
"Warrantholder(s)"	holder(s) of Warrants
"Warrant Instrument"	the deed poll constituting the Warrants dated 3 November 2004
"Warrants"	the 10,000,000 warrants to be issued by the Company entitling the Warrantholders to subscribe for Ordinary Shares pursuant to the Warrant Instrument
"Westhouse"	Westhouse Securities LLP, the nominated adviser and broker to the Company

GLOSSARY OF TERMS

"1P reserves"	proven reserves
"2P reserves"	proven and probable reserves
"3P reserves"	proven, probable and possible reserves
"2D seismic"	seismic data recorded along discrete tracks
"3D seismic"	seismic data recorded so as to provide detailed coverage of a given area
"accumulation"	a deposit of crude oil and/or natural gas trapped in an underground reservoir
"appraisal well"	a well drilled to appraise the extent of a discovery, usually in order to increase the level of confidence on reserves
"Bunter Sandstone"	a widespread sandstone reservoir in the southern North Sea of early Triassic age
"Carboniferous"	a geological era during which the sediments responsible for the East Midlands oil accumulations were deposited
"condensate"	a mixture of relatively light hydrocarbons which remain liquid at normal temperature and pressure
"contingent resources"	those hydrocarbon accumulations already discovered but not yet developed
"E&P"	exploration and production
"exploration well"	a well drilled to investigate the potential for accumulations of oil and/or gas in the subsurface
"farm-in agreement"	an agreement pursuant to which third parties can acquire an interest, or existing licensees can increase their interest, in a particular licence by undertaking an agreed work programme
"four way dip closed structure"	a subsurface structure which does not rely on faults to generate a trap
"horizontal well"	a well drilled directionally in order either to enable many wells to be drilled from a single surface location or to penetrate the reservoir at a high angle and increase the amount of production capable from the well
"Jurassic"	a geological period between the Triassic and the Cretaceous, a period of major deposition in southern England
"Miocene"	a period during the Tertiary epoch during which the deposition of major sedimentary sequences took place in front of the Carpathian mountain belt forming the host for major gas deposits in the region
"ORRI"	overriding royalty interest – an interest in wellhead production revenues free from any operating costs
"operator"	the party responsible for managing exploration, development or production ventures on behalf of the co-venturers
"petroleum"	oil or gas or condensate
"possible reserves"	those reserves of petroleum which are not yet proven or probable but which on the available evidence and taking into account technical and economic factors have a better than 10 per cent. chance of being produced

"probable reserves"	those reserves of petroleum which are not yet proven but which on the available evidence and taking into account technical and economic factors have a better than 50 per cent. chance of being produced
"producing field"	an oil and/or gas field producing oil and/or gas on a commercial basis
"prospect"	a geological structure which may contain hydrocarbons
"prospective resources"	those potential hydrocarbon accumulations in exploration prospects
"proven reserves"	those reserves of petroleum which on the available evidence taking into account technical and economic factors have a better than 90 per cent. chance of being produced
"reserves"	the calculated amount of petroleum that is expected to be produced from a well or field
"reservoir"	a porous and permeable formation containing significant quantities of hydrocarbons, commonly composed of sandstone or limestone
"resources"	contingent resources and prospective resources
"seismic survey" or "seismic"	a means of surveying subsurface rock structure utilising the reflection of artificially created energy waves
"sequence"	a series of sedimentary deposits related to the same depositional process
"spudding"	to commence drilling a new well
"structure"	the geometrical disposition of folded and faulted rocks in the subsurface which can form a geometry allowing for the trapping of hydrocarbons
"trap"	a structure which contains hydrocarbons
"Triassic"	a geological period during which widespread sandstone deposition took place in north-west Europe
"undeveloped reserves"	areas within an accumulation which are yet to be drained by production wells
"upstream"	the exploration, production, processing and delivery-to-pipeline of petroleum products
"vertical well"	a conventionally drilled well without any directional steering attempted
"Zechstein"	the upper part of the Permian sequence in north west Europe, generally composed of carbonates and forming oil and gas reservoirs in fields in the North Sea and onshore UK, including the Auk, Hewett and Argyll Fields

GLOSSARY OF MEASURES

"bbl"	a barrel which is equivalent to 42 US gallons
"bcf"	billion cubic feet of gas
"bcpd"	barrels of condensate per day
"billion"	a thousand million
"boepd"	barrels of oil equivalent per day
"bopd"	barrels of oil per day
"EMV^{10}"	estimated monetary value at a discount rate of 10 per cent. per annum
"km"	kilometre
"mmbo"	million barrels of oil
"mmbc"	million barrels of condensate
"mmboe"	million barrels of oil equivalent
"mmcfgpd"	million cubic feet of gas per day
"NPV^{10}"	net present value at a discount rate of 10 per cent. per annum
"psi"	pounds per square inch
"tcf"	trillion cubic feet of gas
"trillion"	one thousand billion

The rate of conversion used within this document is 1 mmbo is equivalent to 6 bcf.

Maps and diagrams

All maps and diagrams within this document are for illustrative purposes only and may not be to scale.

PLACING STATISTICS

Placing Price	25p
Number of Ordinary Shares in issue immediately following the Placing	60,000,000
Market capitalisation at the Placing Price immediately following the Placing	£15 million
Number of Ordinary Shares being placed on behalf of the Company	20,000,000
Number of Warrants in issue immediately following the Placing	10,000,000
Estimated net proceeds of the Placing receivable by the Company	£4.32 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2004
Publication of Prospectus	3 November
Dealings in Ordinary Shares and Warrants to commence on AIM	11 November
CREST accounts credited	11 November
Definitive share certificates despatched	not later than 11 November

PART I

Information on the Group

1. Introduction

Europa is an established, independent oil and gas exploration and production group with interests in the UK, Romania, Ukraine and Poland.

The Group was founded by Paul Barrett and Dr. Erika Syba in 1995. Since that time, the Group has built a portfolio of 12 exploration and production projects (including two pending award by the DTI) in the UK and Eastern Europe. Europa is the operator in respect of five of these projects (including those pending) and has participated in four wells to date, all of which found commercial quantities of oil or gas. Three of Europa's projects are currently in production, with a further two awaiting development. The current attributable production of around 330 boepd is forecast by independent consultants, Scott Pickford, to rise to up to 6,000 boepd by 2007.

Europa holds interests in two producing fields in the UK, an anticipated gas condensate development in the UK North Sea and has been offered two further exploration licences in the UK by the DTI. In Romania, Europa holds an interest in the recent Bilca gas discovery and four further exploration licences in the prolific Carpathian oil province. Europa additionally holds a majority interest in a producing gasfield in Ukraine and a royalty interest in an exploration licence in southern Poland.

Scott Pickford has undertaken a review of the oil and gas properties of Europa and concluded that the Group holds 2P reserves and contingent resources of 7.00 mmboe, with an estimated NPV[10] of $32.19 million. Scott Pickford's estimate of additional unrisked prospective resources is 28.05 mmboe, with an unrisked EMV[10] of $199.60 million.

The Directors apply a rigorous technical and commercial approach to the development of existing assets and to the suitability of new projects. The management has a strong mainstream oil and gas background, which enables Europa to identify, acquire and develop oil and gas producing assets successfully and to be in a position to be awarded new acreage and operatorship in jurisdictions such as the UK.

The Group has a twofold approach to the acquisition of new projects:

- The first element is to identify underexploited development and production projects in the European region and develop their full potential through the appropriate use of modern technology in its drilling programmes. The Directors are confident that further such opportunities will continue to be available within the European focus area; and

- Europa is also focusing on exploration of proven plays in established oil and gas provinces. This has already proved successful with the recent Bilca gas discovery in the prolific Carpathian hydrocarbon province of Romania. Exploration will continue to form an important, though not dominant, element of the Group's strategy in the future, providing significant upside potential for the Group.

Europa has an active near-term drilling and development programme planned which includes an exploration well on the Costisa Project in Romania anticipated to spud in late 2004, followed by an appraisal well on the Bilca discovery and a new production well at West Firsby within the next six months.

The Company is seeking to raise £5 million through the Placing in order to fund the next phase of the development of the existing projects and to provide finance for securing additional projects.

2. Description of Principal Assets

The Group's principal assets are as follows:

Country	*Block/Field*	*Category*	*Operator*	*Interest*
UK	West Firsby Field	Production	Europa	100%
UK	Whisby-4	Production	Blackland Park	75%
UK	SK86, SK87 & SK96, Whisby Area*	Exploration (pending)	Europa	100%
UK	41/24 & 41/25 North Sea	Appraisal/Development	Europa	100%
UK	TQ14, Holmwood*	Exploration (pending)	Europa	40%
Romania	Brodina EIII-1	Development/Exploration	Falcon	28.75%
Romania	Cuejdui EIII-3	Exploration	Falcon	28.75%
Romania	Bacau EIII-4	Exploration	Falcon	47.5%
Romania	Brates EPI-3	Exploration	Tullow	15%
Romania	V. de Munte EPI-8	Exploration	Tullow	15%
Ukraine	Horodok Field	Production	Europa	70%
Poland	Nowy Sacz Area	Exploration	Medusa**	2.5% ORRI

* These licences were offered to the Group by the DTI in the 12th onshore licencing round announced on 14 September 2004. The Directors anticipate that the licences will be formally awarded before the end of 2004.

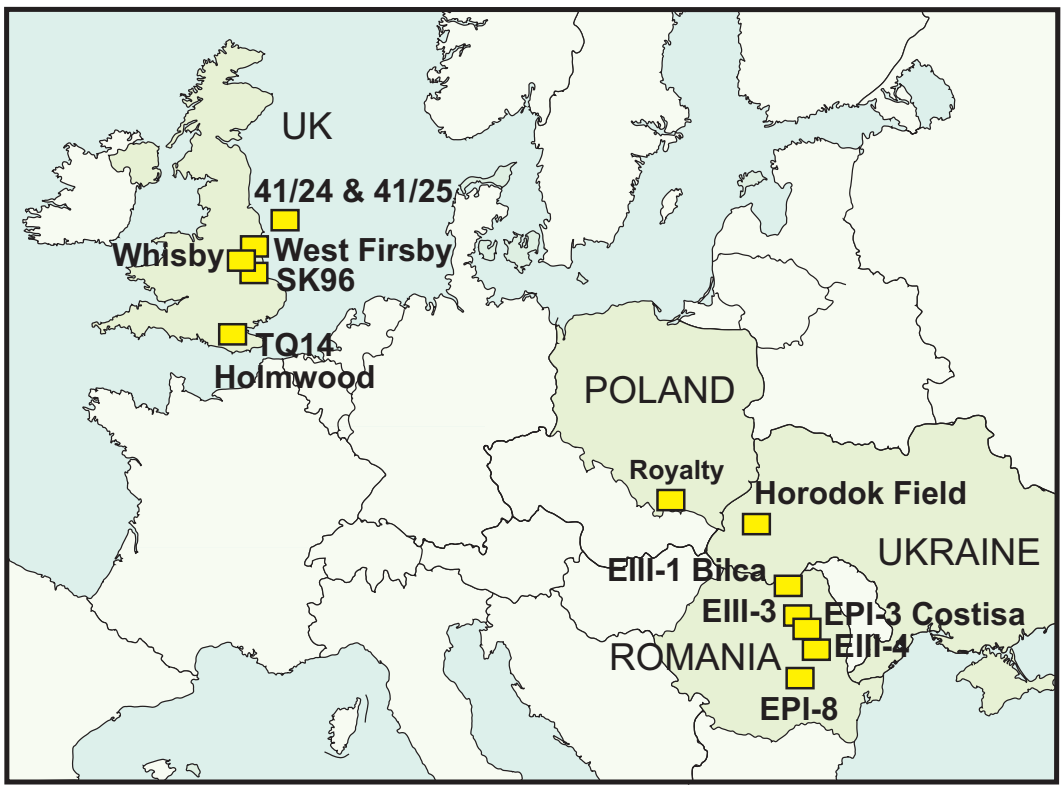
** Medusa Oil & Gas (Poland) Sp.z.o.o. is owned by RWE-DEA and Ramco Energy plc.

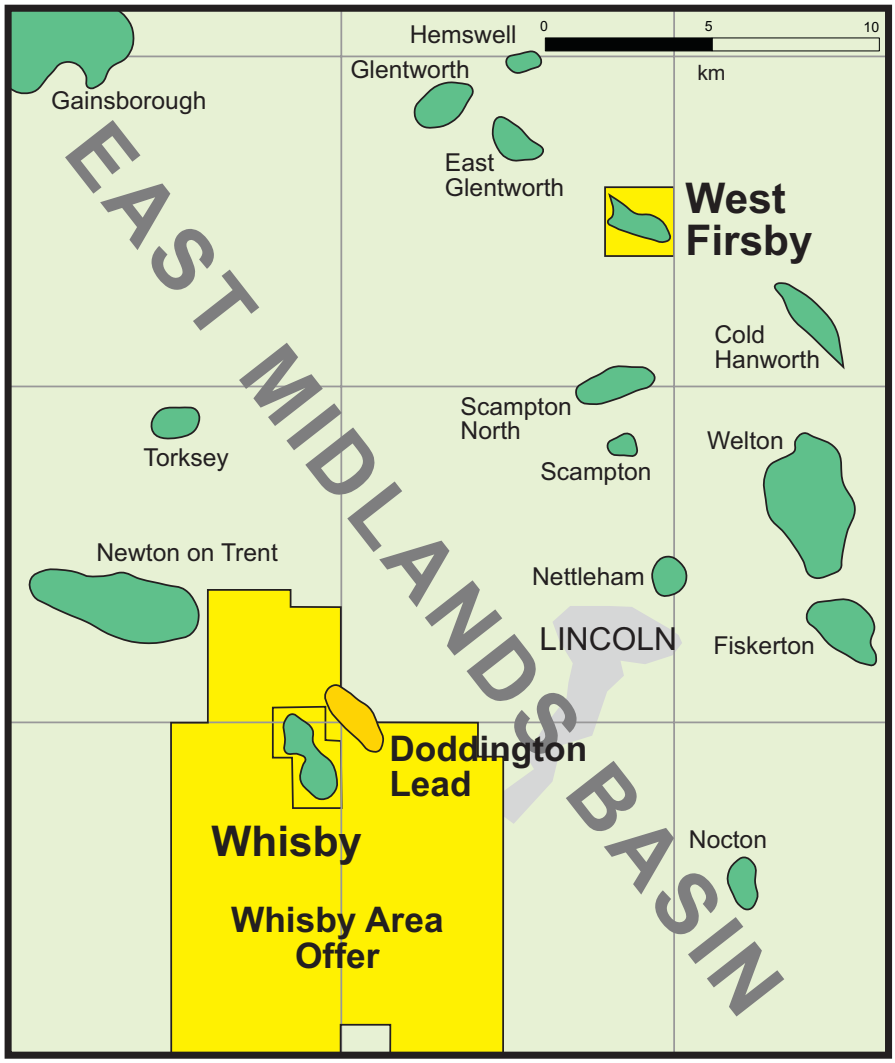
A summary of the Group's reserves and resources, as extracted from the report by Scott Pickford set out in the Appendix, is set out below:

	2P Reserves	*2P Contingent Resources*	*3P Prospective Resources*	
Proven plus Probable (mmboe)			*Risked*	*Unrisked*
UK*	1.189	4.202	2.23	6.40
Romania	—	0.619	2.26	18.55
Ukraine	0.015	0.980	—	—
Poland	—	—	0.16	3.10
Total	1.204	5.801	4.65	28.05

* Figures for the UK exclude SK86, SK87 and SK96, Whisby Area as these blocks were not evaluated by Scott Pickford.

Locations





West Firsby Oilfield, UK onshore

Ownership: Europa (Operator) 100 per cent.

The West Firsby Oilfield is a producing oilfield located north of Lincoln in the East Midlands petroleum province. The field contains an estimated 0.787 mmbo of 2P reserves and 1.197 mmbo of 3P reserves from Carboniferous age reservoir sands at a depth of approximately 1,500 metres.

The Directors recognised the existence of the underdeveloped reserves in the West Firsby Oilfield. In May 2003, Europa acquired the field from Edinburgh Oil & Gas plc and Tullow Oil UK Limited. Europa drilled a horizontal well on the field in January 2004. Field production for the six months to July 2004 following this well was approximately 50 per cent. higher than for the previous six months. The field is currently producing from three wells totalling 146 bopd in September 2004. The oil produced is transported by road tanker to the ConocoPhillips Humber oil refinery and sold at a US$0.85 discount to dated Brent.

A further horizontal production well is planned within the next six months to target undeveloped reserves in the western part of the field. The location of the well will be guided by the results of a reconnaissance seismic survey, which was acquired in September 2004.

The Directors believe the West Firsby Oilfield has been underexploited to date and that with the redevelopment programme initiated by Europa, production could be increased to at least three times the current level.

Whisby-4 well, Whisby Oilfield, UK onshore

Ownership:	Blackland Park Exploration Limited (Operator)	100 per cent.
Production Share:	Europa	75 per cent. (currently)

The Whisby Oilfield is a producing oilfield located to the south-west of Lincoln in the East Midlands petroleum province, near West Firsby. The field had previously produced 0.25 mmbo over a period of ten years from two vertical wells. The initial rate stabilised at around 125 bopd declining to less than 5 bopd in 2001. The Directors concluded that the vertical wells had not properly drained the oil in the northern part of the field and so agreed with Blackland Park to drill a new horizontal production well on the field.

The Whisby-4 horizontal well was spudded in December 2002 and commenced oil production in January 2003. In addition to several penetrations of the main reservoir, the well encountered oil in an additional seven metre thick reservoir unit, the Loxley Edge Sandstone, absent in the other wells on the field.

Total production from the Whisby-4 well is over 85,000 bbls. Since August 2003, the well has been operating on pump. By the end of September 2004, the well was producing at a plateau rate of approximately 190 bopd with a 24 per cent. water cut. Production history from the well demonstrates that it is performing significantly better than previous wells and the Directors believe that there is a much larger reservoir volume being drained than in previous wells, probably including contribution from the Loxley Edge Sandstone reservoir. Estimated 2P reserves attributable to Europa in the Whisby-4 well are 0.402 mmbo.

Europa is entitled to 75 per cent. of the net revenue generated by the Whisby-4 well, which will reduce to 65 per cent. following payback of all the drilling costs on the well. In addition, Europa holds an option, expiring at the end of 2005, to drill a further well on the field on the same commercial terms as Whisby-4.

The oil produced is transported by road tanker to the ConocoPhillips Humber oil refinery and sold at US$0.80 discount to dated Brent.

Blocks SK86, SK87 & SK96, Whisby Area

Ownership:	Europa (Operator)	100 per cent. (pending award)

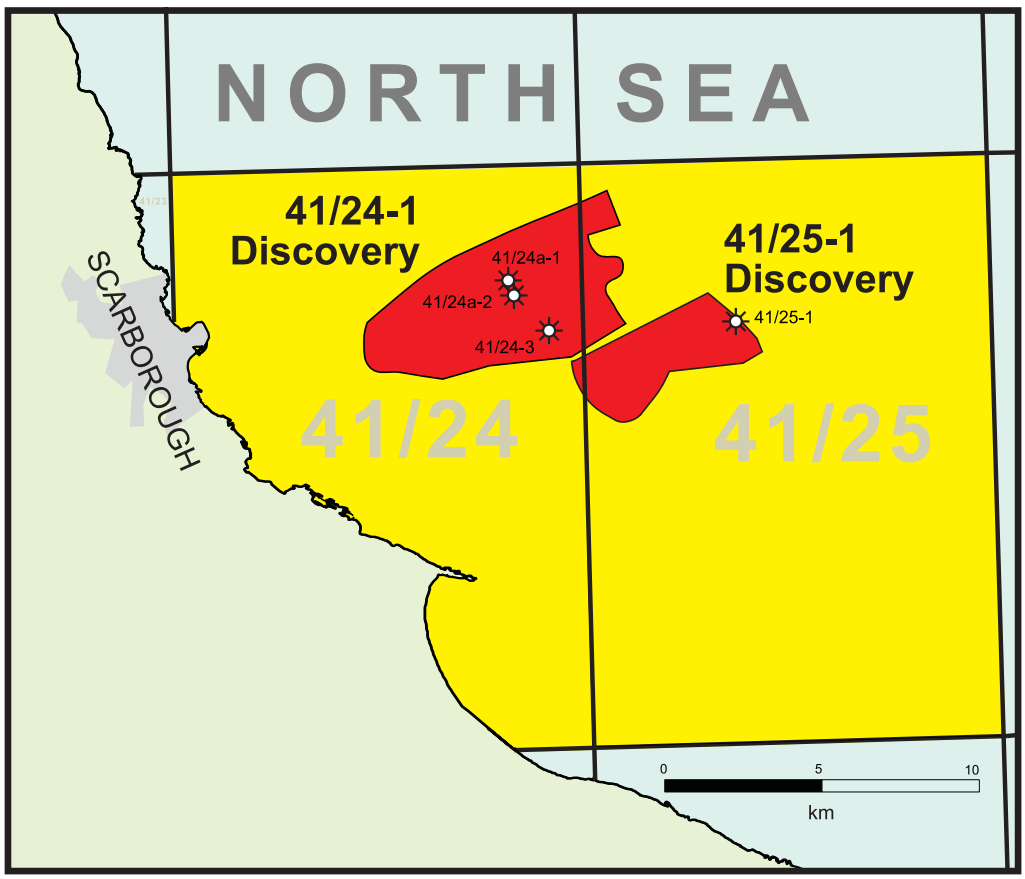
The acreage immediately surrounding the Whisby Oilfield was offered by the DTI to Europa in September 2004. Following the results of the Whisby-4 well, which encountered oil-bearing Loxley Edge Sandstone not seen elsewhere in the Whisby area, Europa undertook a remapping exercise. This remapping has indicated good prospectivity in the area by identifying a number of exploration leads, including two in the Loxley Edge Sandstone.

The existing seismic data suggest the licence lies in an area of thicker Loxley Edge Sandstone and the most promising area is that of the Doddington Lead. The Directors believe the presence of the Loxley Edge Sandstone reservoir encountered in the Whisby-4 well in the area of the Doddington Lead could result in greatly increased reserves. There are two further structural leads to the south of Whisby which will be investigated by the work programme.

The work programme will include a Gore-Sorber survey to high-grade prospective areas, including the identified exploration leads. This method, a sophisticated geochemical surveying technique, utilises sample probes to measure surface geochemical markers associated with oil and gas accumulation. These data are calibrated with control point data of known oil, gas and other sites to produce distribution maps of hydrocarbon anomalies. The technique has led to a number of successful wells in Romania and the Directors believe that, properly applied, it will substantially reduce exploration cost and risk.

Blocks 41/24 and 41/25, UK Southern North Sea

Ownership: Europa (Operator) 100 per cent.



In October 2003, Europa was awarded a licence in the 21st UK offshore licensing round over two blocks, 41/24 and 41/25, located approximately 10 km offshore in the southern North Sea Gas Basin. Initially discovered in the 1960s, each of the blocks contains a gas condensate accumulation. Recent improvements in technology, such as extended reach drilling have provided the opportunity to develop such accumulations.

The Directors believe that accumulations could be developed from an onshore location in the same way that BP has drilled some of the wells on the Wytch Farm Field near the Isle of Wight. This type of drilling avoids the need for more expensive offshore facilities and pipelines and reduces the environmental impact of the project.

Europa has acquired an extensive seismic grid and selected lines have recently been reprocessed to image the Zechstein reservoir more accurately. Discussions have commenced with engineering companies to procure a development engineering study, which will run in parallel with completing the geological and geophysical modelling, leading to anticipated appraisal drilling of the discoveries prior to development.

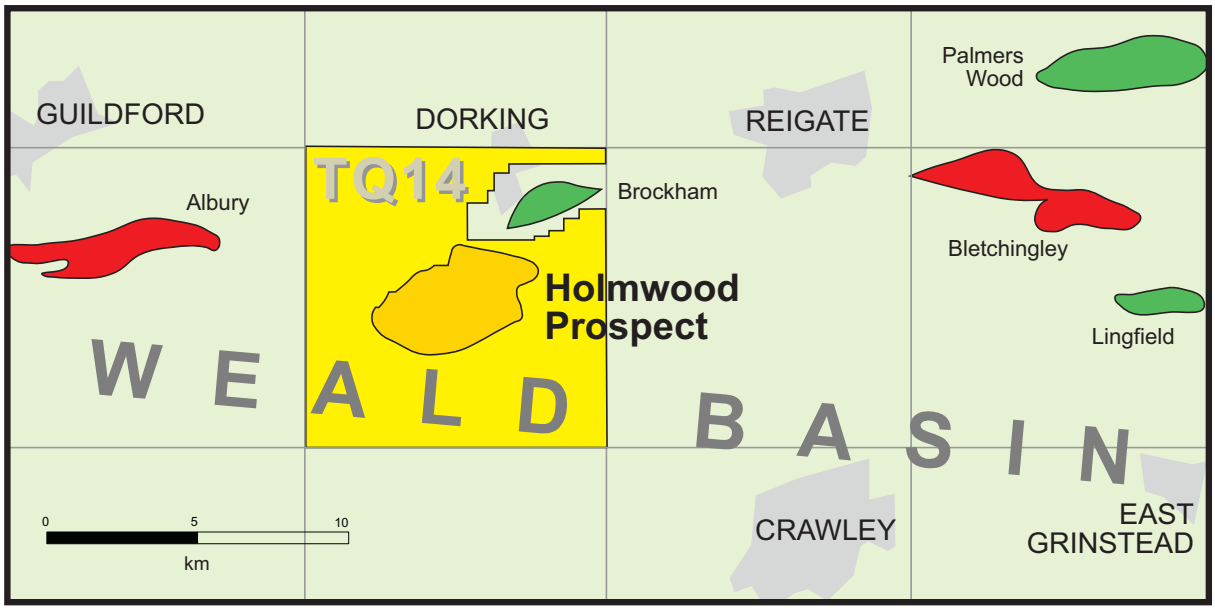
The discoveries are contained in fractured Zechstein (Permian age) carbonates similar to those of the Hewett Field, also in the southern North Sea. Three wells have been drilled on the 41/24 Zechstein structure and all have tested gas with condensate at rates of between 15 and 39 mmcfgpd and 1,000 to 1,440 bcpd. The 41/25 Zechstein structure tested gas at 25 mmcfgpd with condensate. These test rates are comparable with published southern North Sea discovery wells and the DTI criterion for regarding a gas discovery as 'significant' in North Sea terms is a flow rate on test of greater than 15 mmcfgpd.

2P contingent resources attributable to the Zechstein structures in 41/24 and 41/25 are estimated to be 4.202 mmboe, with 3P contingent resource potential of 8.818 mmboe. In addition to the Zechstein reservoirs, a small gas column was encountered in the shallower Bunter Sandstone (Triassic) in the 41/24-3 well but was untested. The Bunter Sandstone extends across the 41/24 and 41/25 blocks and the Directors believe there is potential for further reserves to be identified.

Europa has fulfilled its obligations under the current licence by acquiring 2D seismic data in 2004. The Directors expect to approach the DTI in early 2005 with a view to acquiring additional 3D seismic data as part of a development work programme to extend the licence to late 2007. The Directors anticipate appraising the discoveries with a further well and being ready for commercial development with first gas in 2007.

TQ14, Holmwood

Ownership:	Europa (Operator)	40 per cent. (pending award)
	Egdon Resources plc	20 per cent. (pending award)
	Warwick Energy plc	20 per cent. (pending award)
	Altwood Petroleum Limited	20 per cent. (pending award)



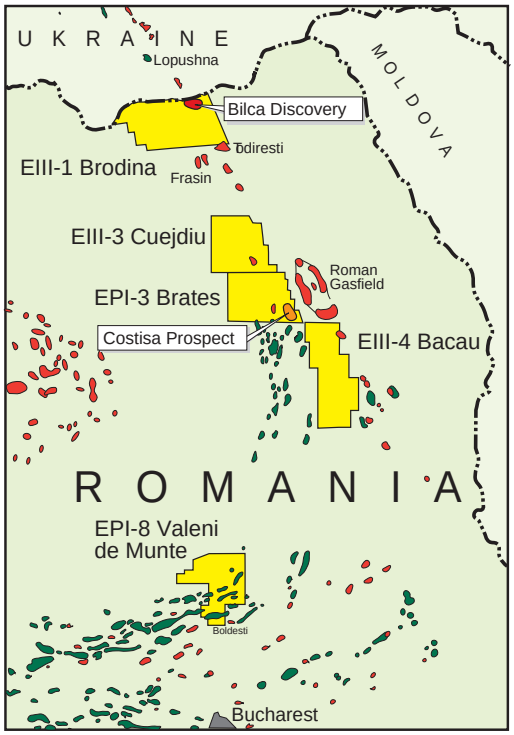
In September 2004 Europa, in partnership with three other companies, was offered a licence by the DTI over exploration acreage containing the Holmwood Prospect, immediately to the south of the Brockham Oilfield, situated in the oil and gas-bearing Weald Basin of southern England.

Unrisked 3P prospective resources are estimated to be 6.40 mmboe, net to Europa, recoverable from the Portland Sandstone (Jurassic) reservoir, proven in the nearby Brockham Field, and the deeper Corallian Sandstone (Jurassic), proven in the Palmers Wood Oilfield. The Holmwood structure can be demonstrated to have been present prior to Tertiary basin inversion, a prerequisite for exploration success in the Weald Basin.

Europa will initiate the planning permission process as soon as the licence becomes effective, which is expected to be before the end of 2004. The Directors believe that through using light drilling equipment and deviated well technology, a surface location can be found which minimises the environmental impact in this sensitive part of the UK and that an exploration well could be drilled in late 2005.

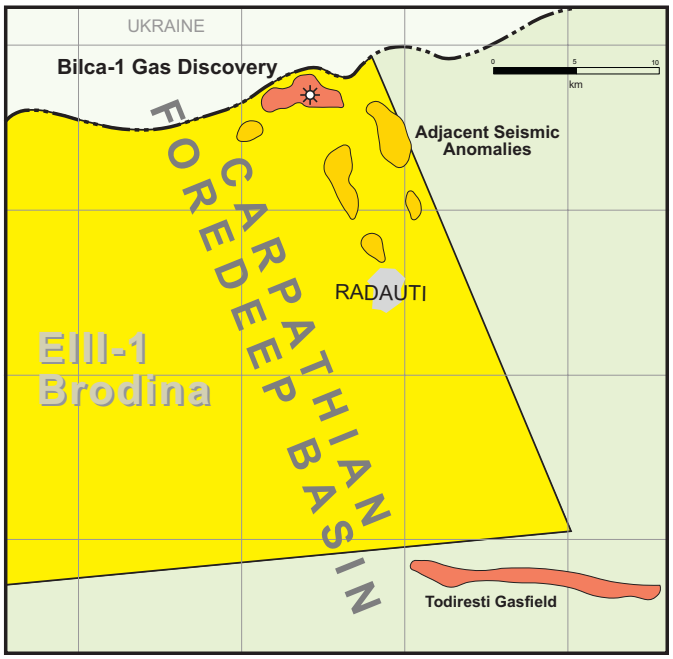
The Directors believe the prospect has excellent potential and Scott Pickford have given the prospect a one in two chance of success.

Romania



EIII-1 Brodina Block — The Bilca Discovery

Ownership:	Europa	28.75 per cent.
	Falcon Romania S.R.L. (Operator)	28.75 per cent.
	Romgaz S.A.	37.50 per cent.
	Millennium International Resources Corp.	5 per cent.



The EIII-1 Brodina Block is situated on the eastern margin of the Carpathians near the Ukraine border. A five year exploration licence on the block was awarded to the Group's joint venture in November 2002. The recent development of the Todiresti Gasfield by Romgaz, immediately south of the block, indicated that the eastern part of the block held the potential for similar gas accumulations in the Miocene sequence. Therefore an exploration programme was initiated with the acquisition of 106 km of 2D seismic focused on the Miocene play in 2003.

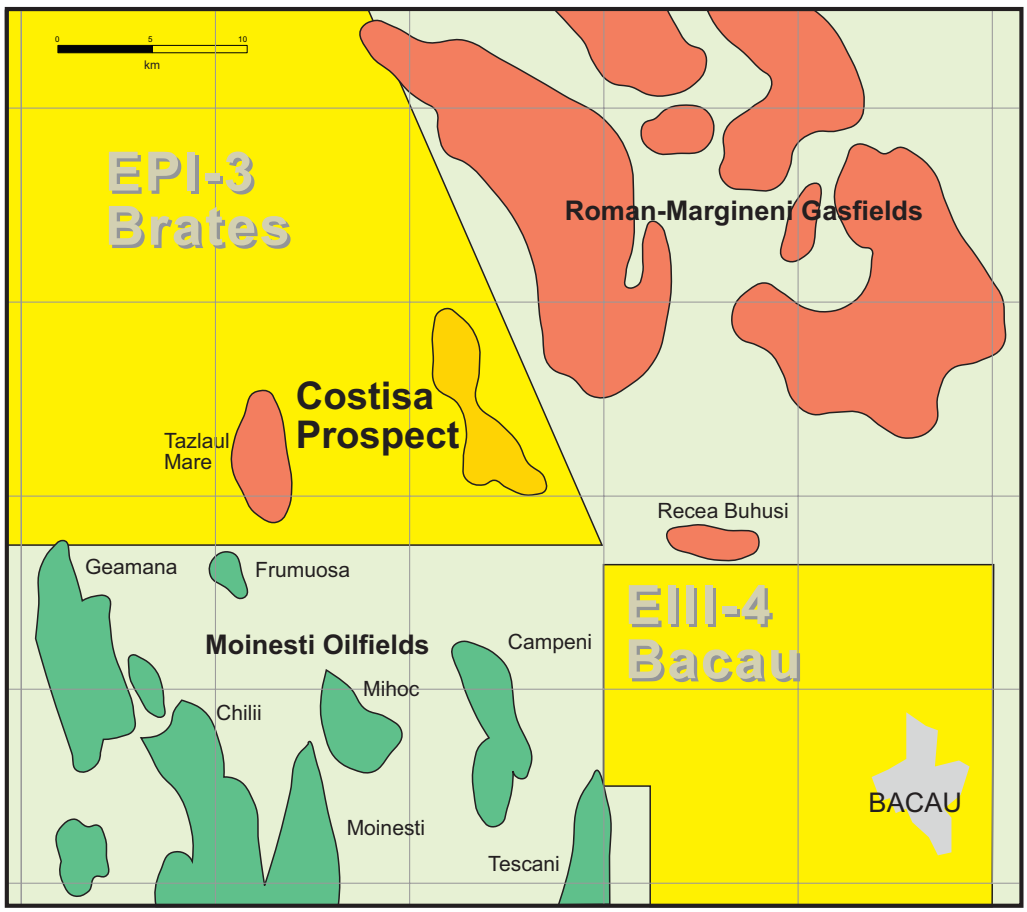
The Todiresti Gasfield was identified by seismic amplitude anomalies, several of which were present on the new seismic acquired by the Group over the Brodina Block. The Bilca-1 well, drilled in May 2004, targeted one of these anomalies and discovered gas sand at a depth of 560 metres. The sand, which is 10 metres thick, was tested and gas flowed at rates of up to 6.3 mmcfgpd. The well has been suspended and will be reopened as a production well. Scott Pickford estimate 2P contingent resources of 0.619 mmboe net to Europa in the Bilca anomaly, with net 3P contingent resources of 1.085 mmboe. The operator has indicated its intention to develop the Bilca accumulation, which the Directors believe should lead to commercial production in early 2006.

Several similar anomalies have been identified in the north-east of the block. The 2004 seismic data are designed to advance these prospects for drilling. Preliminary results from this programme have been very encouraging, indicating more anomalies in the area. The Directors expect that a second well on the block will be drilled in late 2004 or early 2005 on a similar anomaly to the east of Bilca.

In addition, a strong exploration lead has been identified in the central part of the block, named Voitinel, which is estimated to contain the potential for 2.92 mmboe unrisked 3P prospective resources, net to Europa. This lead is expected to be covered by the 2005 seismic programme on the block and may be drilled in 2006.

EPI-3 Brates Block – The Costisa Prospect

Ownership:	Europa	15 per cent.
	Tullow Romania Limited (Operator)	42 per cent.
	Moravske Nafta Doly	30 per cent.
	Oranje Nassau Energie B.V.	13 per cent.



The licence over the EPI-3 Brates Block, located in the central part of the Romanian Carpathians, was awarded to the Group's joint venture in 1999. The exploration phase of the licence runs until March 2005. The block, although adjacent to the giant Roman Gasfield (which has produced over 850 bcf), is relatively underexplored. The joint venture acquired 339 km of 2D seismic over the block from 2000 to 2003. This identified a large four-way dip-closed structure in the south-east of the block, the Costisa Prospect. The structure has been confirmed using a number of interpretations of seismic data and thus is considered to be a low risk structure.

Data from existing local fields provide support for the migration into and trapping of hydrocarbons within multiple reservoirs of the Costisa Prospect. The Directors believe that this, along with the robust trap, indicates that all the elements should be present for a successful exploration well and therefore the Costisa Prospect represents an excellent drilling prospect with multiple reservoir targets down to 3,500m depth. The unrisked 3P prospective resources are estimated to be 7.58 mmboe, net to Europa.

The Costisa well is anticipated to spud in the final quarter of 2004 and is expected to reach the potential reservoir in the first quarter of 2005. The results of the drilling will determine the future exploration strategy in the EIII-1 and EIII-3 blocks, where the play is also present.

EIII-4 Bacau Block

Ownership:	Europa	47.50 per cent.
	Falcon Romania S.R.L. (Operator)	47.50 per cent.
	Millennium International Resources Corp.	5 per cent.

The licence over the EIII-4 Bacau Block was awarded in November 2002 for a five year term. The block is located on the Carpathian hydrocarbon trend south of the giant Roman Gasfield complex and east of the Moinesti Oilfields. However, the block is underexplored and the Directors believe that it offers future exploration prospects. A 50 km seismic survey, undertaken in the north of the block, is currently being processed.

A farm-in agreement has been signed by Romgaz to acquire a 37.5 per cent. interest in the licence, subject to payment of its share of historical expenditure. Completion is expected to take place in November 2004.

EIII-3 Cuejdui Block

Ownership:	Europa	28.75 per cent.
	Falcon Romania S.R.L. (Operator)	28.75 per cent.
	Romgaz S.A.	37.50 per cent.
	Millennium International Resources Corp.	5 per cent.

The licence over the EIII-3 Cuejdui Block was awarded to the Group's joint venture in November 2002 for a five year term. The block is located immediately north of the EPI-3 Brates Block and lies on the Carpathian oil and gas trend, though is relatively underexplored. The initial work programme of collating and reprocessing existing data is complete and a number of leads have been identified. A further 50 km seismic survey was acquired in July 2004 and is currently being processed. The data quality of the seismic is good and the Directors believe that future exploration prospects will be identified on the block for drilling.

EPI-8 Valeni de Munte Block

Ownership:	Europa	15 per cent.
	Tullow Romania Limited (Operator)	42 per cent.
	Moravske Nafta Doly	30 per cent.
	Oranje Nassau Energie B.V.	13 per cent.

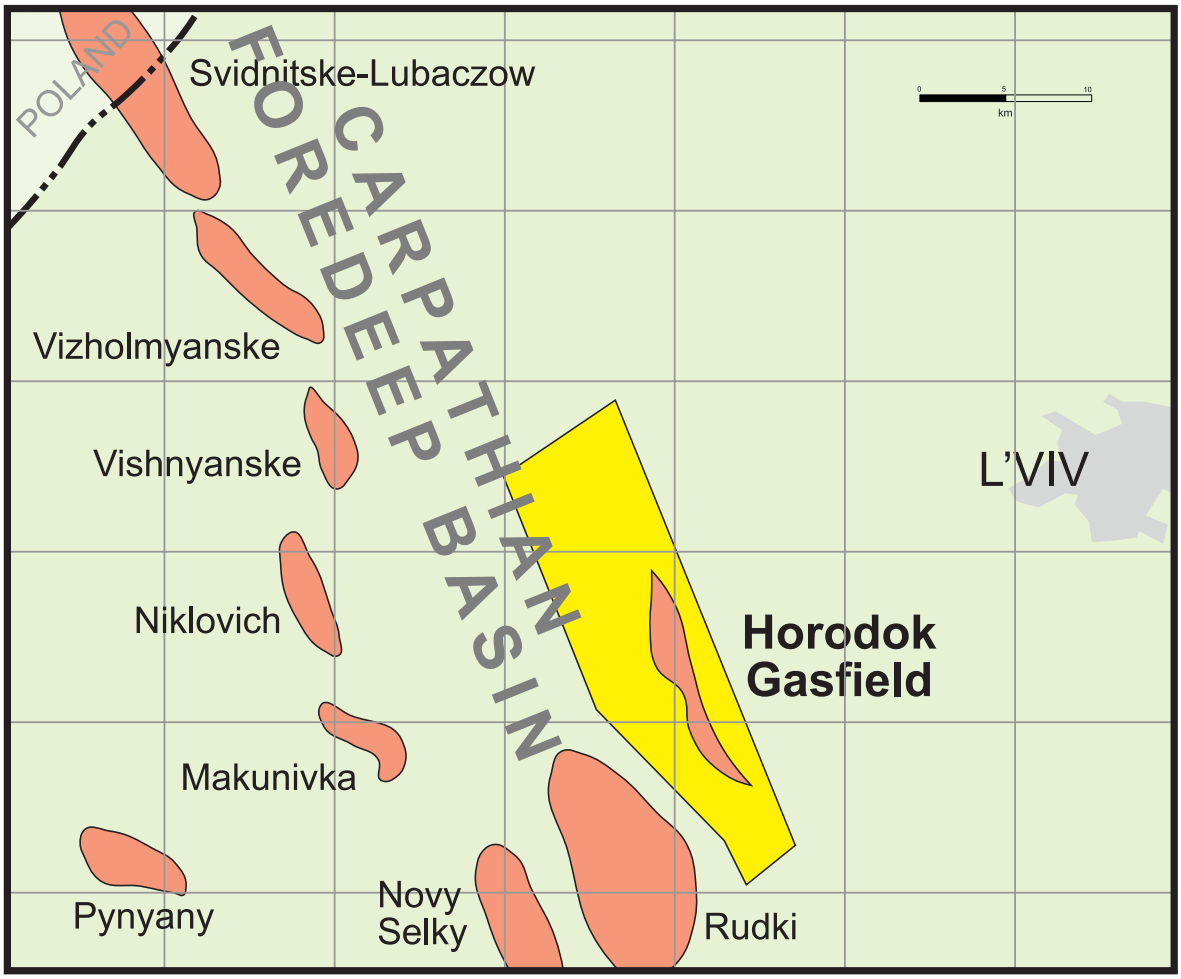
The EPI-8 Valeni de Munte Block lies in the prolific oil and gas area of the Carpathians and contains the giant Boldesti Oilfield (with reserves in excess of 200 mmbo). The Group owns rights over the exploration potential of the pre-Pliocene sequences. The licence was awarded in 1999 for a five year term, since extended to March 2005. The joint venture acquired 300 km of 2D seismic and work

has concentrated on the geological and geophysical modelling. Exploration efforts on the Valeni de Munte Block have now identified a small structure along trend from the Posesti Oilfield. Geological field work in 2004 is designed to confirm the structural interpretation and mature this lead to a potential drillable prospect for early 2005.

Ukraine

Horodok Gasfield

Ownership:	Europa (Operator)	70 per cent.
	SGE Zahidukrgeologia	30 per cent.



The Horodok Gasfield is situated in the Ukrainian Carpathians close to the Polish border. Europa operates the field on behalf of its local state partner, Zahidukrgeologia. The field was brought onstream in September 2002 and is currently producing approximately 0.35 mmcfgpd under a pilot scheme. Europa successfully commissioned the gas gathering facilities at the Horodok field and tied four wells into these facilities.

The 2P estimate of reserves and contingent resources is 0.995 mmboe and the 3P estimate is 2.796 mmboe, net to Europa. The Directors believe that a programme of new development wells will have the potential to increase production rates to close to 0.5-0.7 mmcfgpd per well. In order to undertake the full development of the field, the initial licence, which expires in November 2005, is expected to be converted to a 20 year production licence in line with current legislation.

Poland

Europa holds an overriding royalty interest over four exploration licences in the Polish Carpathians, held by Medusa Oil & Gas (Poland) Sp.z.o.o. Two wells, drilled under a farm-in agreement by RWE-DEA, were completed in 2003. Both of these wells encountered gas but failed to test the commerciality of the Ropa prospect adequately. The Directors are currently monitoring the forward programme.

3. Strategy

The Directors intend to build the Group into a substantial European-focused independent upstream oil and gas business. The strategy will be to continue to grow a balanced E&P portfolio with producing assets generating cash flow, development projects providing low risk potential and exploration opportunities offering significant upside.

The Group will evaluate and develop its existing interests in the established oil and gas provinces of the UK, Romania and Ukraine and identify, assess and obtain new opportunities both in the UK and Continental Europe.

Current and near-term work programmes planned with respect to the existing assets include:

- Further development drilling on the existing UK onshore West Firsby and Whisby fields.
- Ongoing engineering and technical work on the development options for UK offshore blocks 41/24 and 41/25 in the southern North Sea.
- Further development drilling to enhance reserves and production from the existing Horodok Gasfield in Ukraine.
- Development of the recent Bilca discovery in Romania, which is scheduled to come onstream in early 2006.
- Exploration drilling on the Costisa Prospect in late 2004.
- Exploration work on the recently offered UK onshore licences.

With respect to continuing to grow a balanced E&P portfolio, Europa has a twofold approach:

- The first element is to identify underexploited development and production projects in the European region and develop their full potential through the appropriate use of modern technology in its drilling programmes. The Directors are confident that further such opportunities will continue to be available within the European focus area; and
- Europa is also focusing on exploration of proven plays in established oil and gas provinces. This has already proved successful with the recent Bilca gas discovery. Exploration will continue to form an important, though not dominant, element of the Group's strategy in the future, providing significant upside potential for the Group.

The Directors believe that significant E&P opportunities exist within the European region and that they have the contacts, experience and the necessary technical and commercial expertise to exploit such opportunities.

New projects will be acquired through licence applications, private negotiation with existing holders of oil and gas properties or via corporate or asset acquisitions.

4. Board of Directors and Senior Management

The Board comprises:

Sir Michael Oliver, aged 63, Non-Executive Chairman, is a director of a number of investment funds, including chairmanship of a specialised Central and Eastern European fund. He was previously Director, Investment Funds at Hill Samuel Asset Management and Scottish Widows Investment Partnership Limited. He was a partner in stockbrokers, Kitcat & Aitken, for many years and subsequently managing director of Carr Kitcat and Aitken between 1990 and 1993. He is non-executive chairman of GoldStone Resources Limited, which is quoted on AIM and is involved in minerals exploration in South America.

Paul Barrett, aged 46, Managing Director, graduated from Durham University with a BSc in geology and Imperial College London with an MSc in petroleum geology. He started his career with Phillips Petroleum Company where he worked on North Sea acreage as an exploration geologist gaining broad experience of all exploration methods in a world class petroleum basin. He then worked for Britoil on North Sea acreage and in the Worldwide Basin Group, West Africa division, on a project to identify future hydrocarbon provinces. He then gained valuable experience in

engineering whilst working as a development geologist on North Sea oil and gas fields for Ranger Oil. He became a consultant geologist in 1990 and had long term client relationships with Kerr McGee and Statoil. He recognised emerging opportunities in Central Europe in the mid-1990s and founded Europa with his wife, Dr. Erika Syba. Since 1995, he has been Managing Director of Europa and has built up the portfolio across Europe, including bringing two fields onstream.

Dr. Erika Syba, aged 45, Operations Director, graduated from the University of Oklahoma with a BSc in geology and the University of Glasgow with a PhD in geology. Her degree was focused on sedimentology and she started her career as a sedimentologist on North Sea reservoirs for an oil service company. She became a consultant geologist in 1990 with a long term contract at Kerr McGee. She worked on North Sea exploration acreage, including regional evaluations and successful licence round applications, before working as a development geologist, closely associated with the engineering department, on the development of the Janice Field, which came onstream in 2000. She co-founded Europa and has been involved in the day-to-day running of the Group and its assets since leaving Kerr McGee in 1999.

Ewen Ainsworth, aged 42, Finance Director, graduated from Middlesex Polytechnic with a BA in Economics & Geography and qualified as a chartered management accountant in 1993. He started his upstream career as an accountant for Conoco and undertook a variety of roles in exploration, business development and general accounting. Subsequently he became the economics and planning co-ordinator for Murco Petroleum and a team member responsible for worldwide new business evaluation and negotiations. He then joined Texaco initially in strategy and planning before becoming a senior member of the fiscal team responsible for North Sea corporate reporting. From 2001 until 2004, he was finance manager for CIECO E&P in the UK, responsible for all aspects of accounting, tax, treasury and risk management including support services for the Azeri and Algerian operations. He assisted CIECO in developing its business strategy in close partnership with finance providers.

William Ahlefeldt, aged 49, Non-Executive Director, received an MSc in Civil Engineering from the Danish Technical University in 1981. Following national service, he worked for Maersk as a petroleum engineer followed, in 1987, by IPEC, a London based consultancy company, 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. In parallel he co-founded IFX Infoforex Limited, a company supplying real-time financial markets information to the financial and investment sector. This company was successfully sold in early 2000, at a time when it operated in more than 12 countries worldwide. In addition to fulfilling a non-executive advisory role, he provides petroleum engineering consultancy services to the Group and is the Chairman of Europa's West Firsby subsidiary.

Senior Management

Paul Smith, aged 61, Legal Adviser and Company Secretary, has approximately 30 years' experience in the oil industry as a legal counsel, including extensive experience with contract negotiations with oil companies and government agencies in all of the countries of Europa's operations. His early commercial experience was gained at the RAC and British Leyland. In 1975 he joined Tricentrol plc as group legal adviser and at the time of its takeover in 1988 he was a director and company secretary. Since that time, he has acted as a consultant lawyer to a wide range of corporate clients on all aspects of the upstream business, most recently for Burlington Resources, Petro-Canada and Kufpec.

Richard Sands, aged 43, Drilling Engineer, graduated with a 1st class honours degree in Mechanical Engineering from Loughborough University. He is a consultant drilling engineer with 25 years' oil industry experience, gained primarily with BP and Enterprise Oil. Clients have included BHP, Amerada Hess and Roc Oil, including substantial onshore UK exploration and development drilling experience in the East Midlands and elsewhere. He brings a wealth of operational knowledge of UK land drilling to the Group.

Roman Tsyhanchuk, aged 63, Ukraine Manager, is a Ukrainian national, responsible for Europa's Ukraine operations. He has over 30 years' experience in the Soviet and Ukrainian oil businesses, trained and experienced in a wide range of drilling and reservoir engineering disciplines and worked in a variety of FSU provinces such as West Siberia and the Ukrainian Carpathians. At Europa, he is responsible for the operation of the L'viv office.

5. Financial Record

The table below summarises the trading results of EOG and its subsidiaries for the 42 months ended 31 July 2004. The information has been extracted from the Accountants' Report set out in Part IV of this document.

	18 months ended 31 July 2004 £	*Year ended 31 January 2003* £	*Year ended 31 January 2002* £
Turnover	1,952,051	33,515	418
Cost of sales – operating costs	(476,745)	(13,006)	(3,397)
– depletion and amortisation	(665,722)	—	—
Gross profit/(loss)	809,584	20,509	(2,979)
Administrative expenses (excluding exchange rate revaluations)	(384,495)	(55,737)	(22,275)
Exchange rate revaluations	268,595	119,460	(1,900)
Operating profit/(loss)	693,684	84,232	(27,154)
Interest receivable	493	50	2,966
Interest payable and similar charges	(375,594)	(461)	(33)
Profit/(loss) before tax	318,583	83,821	(24,221)
Tax	(20,539)	(98)	(320)
Profit/(loss) after tax	298,044	83,723	(24,541)

In 2000 Europa drilled its first well, located in Ukraine. Funding for the Group's activities up to that point was provided by the founding directors. Following an injection of private equity funding in 2000, Europa completed the construction of gas production facililies in the Ukraine and embarked on a new venture programme in the UK. In parallel, exploration expenditures relating to seismic surveys were being incurred.

Europa's first income was derived from gas sales revenue in Ukraine towards the end of 2002 and was quickly followed by oil production at Whisby in February 2003. Later in 2003, Europa acquired a further producing UK field, West Firsby, and subsequently drilled a new production well on the field. Consequently, the accounting period ended 31 July 2004 is the first period the Group has reported significant income.

6. Current Trading and Future Prospects

The Group currently generates production revenues of around US$360,000 per month from the Whisby and West Firsby Oilfields and from Horodok in Ukraine.

Exploration expenditures are being incurred on several of the Romanian licences, notably the drilling of the Costisa well in 2004. The development of the Bilca discovery will continue and will involve significant capital expenditure in early 2005, including the drilling of a further well. Production is expected to commence at Bilca in early 2006.

In the UK, the Directors intend that further drilling in 2004 and 2005 will be undertaken on the Whisby and West Firsby fields to increase production. Also, pre-development expenditures will be incurred on Blocks 41/24 and 41/25 as well as exploration expenditures on the further licences offered in 2004.

7. Corporate Governance

The Directors acknowledge the importance of the Combined Code on Corporate Governance and intend, following Admission, to apply its principles so far as is practicable and appropriate to a company of the size and nature of Europa.

The Company has appointed Sir Michael Oliver as its Non-Executive Chairman and William Ahlefeldt as Non-Executive Director. Sir Michael Oliver chairs the Audit Committee and William Ahlefeldt the Remuneration and Nomination Committee.

The Audit Committee will receive and review reports from management and the Company's auditors relating to the annual and interim accounts and the accounting and internal control systems of the Company. The Audit Committee will have unrestricted access to the Company's external auditors.

The Remuneration and Nomination Committee will review the scale and structure of the Executive Directors' remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the Non-Executive Directors will be set by the Board.

8. Dividend Policy

The Board anticipates that, following Admission, cash resources will be retained for exploration and development activities and will not be distributed until the Company has an appropriate level of distributable profits. The declaration and payment by the Company of any dividends and the amount thereof will depend on the results of the Group's operations, its financial position, cash requirements, prospects, profits available for distribution and other factors deemed to be relevant at the time.

9. Reasons for the Placing and Admission and Use of Proceeds

The principal reason for the Placing and Admission is to assist in the Board's objective of building the Group into a substantial European-focused independent upstream oil and gas business.

The net proceeds of the Placing will be used:

- to supplement the Group's net production revenues in supporting Europa's drilling and capital expenditure programme over the next 18 months;
- to provide finance for securing additional projects; and
- to repay a loan of approximately £188,000 owing to William Ahlefeldt.

The key elements of the drilling and capital expenditure programme are as follows:

Costisa Prospect	Exploration well
Bilca	Appraisal/development well and field development
West Firsby	Production well
Whisby	Appraisal/development well
Holmwood	Exploration well
Blocks 41/24 and 41/25	Development seismic survey
Horodok	Development drilling

The Sherborne Trust, of which William Ahlefeldt is a beneficiary, owns 100 per cent. of Alpha 2000 Holdings Limited ("Alpha 2000"). In aggregate, the Sherborne Trust, William Ahlefeldt and Alpha 2000 have made loans totalling approximately £2,800,000 to the Group. Of this amount, £2,472,000, being the amount owing to Alpha 2000, has been converted into share capital and £139,000 will be capitalised pursuant to the Sherborne Trust's subscription under the Placing at the Placing Price. It is proposed that £188,000 owing to William Ahlefeldt be repaid from the net proceeds of the Placing.

In addition to the funds raised, the Directors consider that the following benefits will be derived from the Placing and Admission:

- Assisting in the recruitment, retention and incentivisation of skilled employees and management; and
- Raising Europa's profile and status within the E&P sector.

10. Details of the Placing

Europa is issuing 20,000,000 Placing Shares at 25 pence per share pursuant to the Placing to raise approximately £5 million before expenses. The Placing Shares will represent approximately 33.33 per cent. of the enlarged issued ordinary share capital of the Company. The Placing is conditional upon, *inter alia*, Admission becoming effective. Further details of the Placing Agreement are set out in paragraph 6(d) of Part V of this document.

Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on AIM at 8.00 a.m. on 11 November 2004. It is intended that, where applicable, definitive share certificates in respect of the Placing Shares will be posted by first class post on 11 November 2004, or as soon thereafter as is practicable. No temporary documents of title will be issued in connection with the Placing.

11. Warrants

The Warrants will entitle holders to subscribe in cash for Ordinary Shares at an exercise price of 30 pence each on the terms and conditions of the Warrant Instrument. The exercise price of 30 pence per share may be adjusted in the circumstances summarised in paragraph 5 of Part V of this document. The Warrants may be exercised at any time from and including Admission up to and including the third anniversary of Admission or earlier in certain circumstances. The Directors intend to apply for the Warrants to be admitted to trading on AIM. Warrants to subscribe for an aggregate of 10,000,000 Ordinary Shares will be issued in connection with the Placing, representing approximately 14.3 per cent. of the issued share capital of the Company following Admission, assuming exercise of all the Warrants but no other share issues.

Further details regarding the Warrants are set out in paragraph 5 of Part V of this document.

12. Lock-in and Orderly Market Arrangements

In accordance with Rule 7 of the AIM Rules and in order to preserve an orderly market in the Ordinary Shares, the Directors, related parties and applicable employees (as defined in the AIM Rules) have agreed not to dispose of any interests in the Company's shares for a period of 18 months from Admission and there are orderly market provisions, which will remain in place for 12 months thereafter.

13. Share Option Schemes

The Company has adopted the Share Option Schemes as an incentive to certain Directors, employees and consultants to promote the continued growth of the Company. Under the Share Option Schemes, options over a total of 1,060,000 Ordinary Shares will be granted on Admission. Further details are set out in paragraph 1(g) of Part V of this document.

14. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the Uncertificated Securities Regulations 2001. The articles of association of the Company permit the holding of Ordinary Shares under the CREST system. The Warrant Instrument permits the holding of Warrants under the CREST system. All the Ordinary Shares and the Warrants will be in registered form and no temporary documents of title will be issued. The Directors intend to apply for the Ordinary Shares and the Warrants to be admitted to CREST and it is expected that the Ordinary Shares and the Warrants will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. It is expected that Admission will become effective and dealings in Ordinary Shares and Warrants will commence on 11 November 2004. Accordingly, settlement of transactions in Ordinary Shares and Warrants following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and holders of the Ordinary Shares and Warrants who wish to receive and retain share and warrant certificates will be able to do so.

15. UK Taxation

Information regarding UK taxation with regard to certain holders of the Ordinary Shares is set out in paragraph 10 of Part V of this document. If you are in any doubt as to your tax position, you should contact your professional adviser.

16. Further Information

Your attention is drawn to the information set out in Parts II to V of this document, in particular Part III which is entitled Risk Factors, and to the Appendix.

PART II

Information on the UK Oil and Gas Industry and on Romania and Ukraine

The UK Oil and Gas Industry

Overview

Recent government oil and gas policy has focused on promoting the long-term exploration and development of petroleum within the UK. This policy is in response to declining exploration activity and falling production as oil majors have channelled their investment into other parts of the world.

Regulation

The DTI regulates the UK oil and gas sector. The DTI's Oil and Gas Directorate is responsible for licensing, exploration, industry development, environmental issues and decommissioning. Its stated objective is to "regulate and promote oil and gas developments which are environmentally sound and which maximise the benefit to the nation".

Licences

Licences are awarded by the DTI under a competitive tendering process. The DTI assesses applicants on their financial, technical and environmental capability and on the extent of the exploitation of the area in the applicants' plans. Following that assessment, licences are awarded to successful applicants. Interests in existing licences can be acquired by new parties through negotiations with the licence holder.

The DTI imposes an annual rental charge on licence holders determined by the square acreage of the licence in order to encourage licence holders not to allow areas to fall fallow. These charges escalate with the age of the licence.

Development

Licence holders are encouraged and expected to exploit the area. Licences are divided into three terms, the exploration term, the appraisal term and the production term.

The initial term is for exploration, which generally lasts between four to six years and covers the work set out in the application plan upon which the licence was awarded. At the end of the exploration term, the licence holder is required to give up a proportion of the acreage (generally 50 per cent.).

During the exploration term, licence holders are expected to write a Field Development Programme for any commercial discoveries they intend to develop. The Field Development Programme details the proposed development of the field and the principles and objectives which govern the field's management. This programme needs to be agreed with the DTI. The second term, covers appraisal and development, carries out the work detailed in this programme and generally lasts four to five years.

The final term is for production and generally lasts between 18-20 years, although it can be extended if production is continuing.

Decommissioning

The licence holder is responsible for preparing and carrying out a decommissioning programme to ensure compliance with environmental legislation. The programme covers such activities as measures proposed in connection with the decommissioning of disused wells, installations and pipelines. These programmes are not only discussed in depth with the DTI but are put on display and subject to public scrutiny so that members of the public and non-governmental organisations can inspect and comment on the programmes.

Tax

The Finance Act 2002 revised the UK tax regime in order to stimulate investment in the oil and gas sector. The Finance Act 2002 introduced a ten per cent. supplementary tax on top of corporation tax on oil and gas producer taxable profits. At the same time, it granted 100 per cent. first year capital allowance on capital expenditure (e.g. plant and machinery and mineral extraction

equipment). In addition, long life assets, which previously received a 6 per cent. annual capital allowance, are now eligible for a 24 per cent. first year allowance. Subsequently on 10 December 2003, the Chancellor announced the introduction of the Exploration Expenditure Supplement to reduce barriers to entry for new North Sea companies that were not getting the full benefit of the aforementioned capital allowances. The purposes of the recent changes have been to reduce the costs on making the initial investment whilst increasing revenues to the Treasury once petroleum has been discovered.

Romania

Background

Romania is in south-east Europe bordered by the Black Sea between Bulgaria and Ukraine. It is approximately 237,500 square kilometres in size and has natural resources including oil, natural gas, timber, coal, iron ore, salt and fertile agricultural lands.

Until 1989, Romania was part of the Soviet bloc, governed by the dictator Nicolae Ceausescu. Following his overthrow, the government remained dominated by former communists until 1996, when the government was removed from power by a coalition of centrist parties. The current government is the Social Democratic Party which has formed a minority government, with the support of the Democratic Union of Hungarians.

Romania has a population of around 22,300,000 and a per capita gross domestic product ("GDP") of approximately $6,900.

Economic Environment

Following the collapse of communism, Romania has been in transition from a centrally planned to a free market economy. The legacy of the communist era was an economy with a largely obsolete industrial base.

During the 1990s, successive governments attempted reform programmes with varying degrees of success. Four separate support packages from the International Monetary Fund were prematurely suspended without achieving their objectives. Romania's economy was further impacted by the embargo placed on Yugoslavia, which disrupted the country's trade, transport and investment. However there were some successes including the liberalisation of the exchange rate and a privatisation programme which saw three quarters of agricultural land transferred into private hands by 1995.

Economic policy for the past five years has focused on preparing Romania for European Union integration which it hopes to achieve in 2007. This has led to greater macroeconomic stability and an acceleration of the privatisation programme. Between 2001 and 2003, 35 companies with over 100,000 employees were privatised. In 2004, the main state oil concern, Petrom, was taken over by Austrian oil and gas company, OMV.

Romania has enjoyed four years of GDP growth with 4.9 per cent. achieved in 2003. This has been achieved at the expense of inflation which has remained high (15.3 per cent. in 2003). As the economy has grown, the unemployment rate has fallen from 11.8 per cent. in 1999 to 8.6 per cent. in 2001. The fiscal deficit has remained in the range of 3.5 to 4 per cent. of GDP.

Oil and Gas Industry

Romania has a long history of oil production, dating back to 1800s and it is the largest producer of oil and gas in south-east Europe.

The Romanian Carpathians, which form the most significant oil province in Europe after the North Sea, have yielded, to date, reserves of 7.2 billion barrels of oil and the US Geological Survey predicts remaining potential undiscovered reserves of up to 1.6 billion barrels of oil and 5.4 tcf of gas.

Over the past twenty years, Romania's oil production fell by 50 per cent. to 125,000 bopd and its gas production fell by almost 60 per cent. to 505 bcf in 2001. This decline in production has resulted in Romania being a net importer of oil and natural gas.

In recent years, the government has been keen to reverse this decline and reduce its dependence on imported petroleum. To achieve this objective, Romania has reformed its oil, gas and electricity industries bringing them into line with EU commercial practices and promoted exploration through regular licensing rounds. The government has removed price ceilings on domestically produced oil, encouraged foreign investment and sold a 51 per cent. stake in Petrom, a previously state-owned oil company, on the open market to OMV. Romgaz, the state-owned gas company, has also transformed itself into a commercial enterprise with several joint ventures with western companies, including Europa. At present, there are 10 western oil and gas joint ventures in Romania, including, in addition to Europa, those with Wintershall, OMV, Forest Oil, Oranje Nassau and Regal Petroleum.

Romania is also an important transit route for oil and gas. It offers the shortest route from Central Asian oil producers to Western Europe and has extensive refining facilities. The oil terminal at Constansa on the Black Sea is an important port for oil exports and a number of pipelines link Central Asia and Western Europe. The proposed Constansa-Trieste pipeline will give Romania the potential to increase its substantial transit fees from an oil export pipeline.

Legal Framework

Romania's current petroleum law, which was enacted in late 1995, introduced a royalty tax system with the award of concessions. This replaced the production sharing system which had been adopted when foreign investment was first allowed in 1990. The law essentially provides a framework for investment and operation.

The Ministry of Industry and Resources has responsibility for petroleum policy and strategy. The National Agency for Mineral Resources ("NAMR") was set up in 1993 to administer the petroleum industry and represent the State in dealings with oil companies. NAMR's responsibilities are to regulate petroleum operations by:

- Preparing and promoting areas for competitive bids
- Negotiating terms and agreements for exploitation and productions
- Monitoring and regulating petroleum related operations
- Establishing legal taxes, royalties and prices for related activities and operations
- Organising the national database including maintaining records for oil and gas reserves

Petroleum Fiscal Regime

Romania's petroleum fiscal regime allows foreign investors to retain the proceeds of the sale of petroleum. The fiscal regime comprises royalties, excise tax and income tax.

- Two forms of royalty are payable:
    a. A percentage of the value of gross production on a field basis, such percentage being fixed on a sliding scale depending on production levels. The production royalty rate varies between 3.5 per cent. to 13.5 per cent. for crude oil and between 3.0 per cent. to 13.0 per cent. for natural gas production; and
    b. A fixed percentage of the gross income obtained from the transportation and transit of petroleum through the national pipeline system and from petroleum operations carried out through oil terminals belonging to the state. The royalty rate is currently fixed at 5 per cent.
- The licence holder pays corporate income tax, but enjoys a one-year income tax holiday from the first day of production. Corporate income tax is at a rate of 25 per cent. All costs incurred in connection with exploration, development and production operations are deductible for corporate income tax purposes.
- Excise tax is payable on domestically produced oil and natural gas. The current rate is €4 per tonne of oil and €7.4 per 1,000 cubic metres of natural gas.
- Resident companies, which remit dividends to the UK, are subject to a dividend withholding tax at between 10-15 per cent. dependent upon the proportion of the capital owned by the recipient.

- No customs duty is payable on the export of petroleum nor is customs duty payable on the import of material necessary for the conduct of petroleum operations.
- The current fiscal regime does not levy signature/discovery bonuses, production bonuses or rentals. Nor does it include production sharing, additional profits tax or a service fee element.
- The general rate of value added tax is 19 per cent.

Grant of Permissions

The NAMR publishes a list of blocks available for concession in the Official Gazette by 31 December each year. Foreign and Romanian companies are required to express their interest by the following 30 September and to submit applications by 31 January following the publication of the list. Applicants are required to prove their financial capacity, technical expertise and other requirements as stipulated in the tender call.

Within three months of the application date, the NAMR must prepare agreements granting rights to natural resources which are then submitted to the government for its approval. The date of government approval is the effective date of the agreement.

The bidding procedure is phasal and blocks which fail to attract a prescribed level of bids are re-offered for further bidding.

Types of Licences

The NAMR may issue a prospecting permit for the conduct of geological mapping, magnetometry, gravimetry, seismology, geochemistry, remote sensing and drilling of wildcat wells in order to determine the general geological conditions favouring petroleum accumulations. Such permits do not grant the holder any pre-emption right.

A petroleum concession provides exclusive rights to conduct petroleum exploration and production under a petroleum agreement.

Grounds for Termination of Oil and Gas Licences

The NAMR has the right to withdraw the concession if the licence holder knowingly submits any false data or information, violates the confidentiality provisions of the agreement, fails to abide by a decision issued by arbitration or a court of law with respect to petroleum operations, becomes subject to liquidation proceedings or is adjudged bankrupt by a court, does not abide by a provision of the petroleum agreement which, if violated, would trigger the revocation of the concession or conducts its operations in a way that jeopardises the possibility of the future exploitation of the deposit or violates norms regarding protection of the environment.

The NAMR may revoke the concession if the licence holder fails to commence operations in a timely fashion; fails to fulfil the minimum exploration and other material obligations as set out in the agreement; suspends operations for more than 30 days without NAMR's approval; applies production methods or technologies which have not received NAMR's approval; assigns any interest without prior consent of NAMR; or conducts operations without NAMR's approval where it is required under the agreement.

Before revoking the concession NAMR must give 30 days' notification to the licence holder, which then has the opportunity to remedy the default.

Ukraine

Background

Ukraine is in Eastern Europe, bordered by the Black Sea between Russia and Romania. Ukraine also shares a border with Moldova, Slovakia, Poland and Belarus. It is approximately 603,700 square kilometres in size and has natural resources including oil, natural gas, iron ore, coal, manganese, salt, sulphur and arable land.

Ukraine achieved independence with the dissolution of the USSR in 1991. However, since then economic reform, privatisation and civil liberties reform has occurred at a slow pace.

Ukraine has a population of around 47,700,000 and a per capita GDP of approximately $5,300.

Economic Environment

Under the Soviet regime, Ukraine was an important agricultural and industrial economic region. Following independence, the government liberalised prices and established a legal framework for privatisation. However, internal resistance within the government stalled reforming efforts and led to eight years of recession combined with periods of hyperinflation. Since 1999, Ukraine's economic performance has improved bringing greater stability. The country has now enjoyed four years of growth, with GDP rising by 6.5 per cent. in 2003, inflation is under control and foreign investment is rising. Furthermore the benefit of the privatisation programme and the Land Code allowing private land ownership mean that the country's economic prospects continue to improve.

The country's geographical location between Russia and the European Union, and its ports on the Black Sea, has made Ukraine an important trading link. Accordingly, Ukraine has made efforts to synchronise its trade policies with its neighbours. The country has been engaged in a partnership agreement with the European Union since 1998, and the two sides are considering a draft action plan which Ukraine hopes will pave the way for eventual integration into the EU. In September 2003, Ukraine joined Russia, Belarus and Kazakhstan in creating a "single economic area" designed to coordinate the countries' trade regulations and reduce tariffs.

Oil and Gas Industry

Oil and gas are some of Ukraine's most valuable assets. It has 395 million barrels of proven oil reserves and 39.6 tcf of natural gas reserves. The majority of Ukraine's oil reserves are located in the eastern Dnieper-Donetsk basin, the Crimea and the Carpathians of western Ukraine. The majority of the Ukraine's gas reserves are in the Dnieper-Donetsk basin and the Carpathians of western Ukraine.

Since independence, Ukraine's domestic production of oil has remained flat at around 85,000 bopd however consumption has fallen from 813,000 bopd in 1992 to 296,000 bopd in 2002. Thus Ukraine remains dependent on imported oil which it acquires from Russia, Kazakhstan and more recently, Turkmenistan.

To reduce its dependency on foreign oil, Ukraine is keen to encourage increased oil and gas exploration and development. This objective is expected to lead to increased opportunities for foreign investment in the sector in the future.

Ukraine's location between the oil producing areas of Russia and the Caspian Sea region and the Western European markets makes it an important country for the transmission of natural gas and oil. Most of the oil transited via Ukraine is Russian oil, and is sent through the 1.2 million bopd Druzhba pipeline.

In 2002, approximately 4 tcf of Russian and Turkmen natural gas was transited through the Ukraine. This represented 24 per cent. of OECD Europe's natural gas consumption, and 38 per cent. of imports. In August 2003, a consortium comprising Gazprom and Naftogaz Ukrainy agreed to construct a new 930 mile natural gas pipeline between eastern and western Ukraine with a capacity of approximately 1 tcf per year. This will allow Russian natural gas exports to Europe through Ukraine to increase by approximately 25 per cent.

Legal Framework

Ukraine has a civil law system reliant on codes and separate acts. The Code on Subsoil Resources of 27 July 1994 governs petroleum exploration and production activity. The Code provides for licences to be issued by the State to explore for and exploit petroleum resources. More recently, the framework legislation for Production Sharing Agreements has been published, however specific terms for exploration and production, such as the terms for cost recovery and profit sharing, are still to be defined. As such, PSAs are yet to be commonly used.

Foreign investors commonly gain access to commercial opportunities in Ukraine by forming joint ventures with Ukrainian enterprises and/or the State. State participation dominates the petroleum sector with the state owned Naftogaz Ukrainy, and its subsidiaries, controlling over 90 per cent. of domestic oil and gas production.

The law in relation to property rights is a developing area in Ukraine. This has led to allegations of unfair rulings and poor enforcement of decisions on some occasions.

Fiscal Environment

Petroleum companies are subject to pay a number of bonus fees to the State including signature bonuses, discovery bonuses, production bonuses as well as subsoil rental payments. Foreign joint ventures are subject to a profits tax of 25 per cent. and a value added tax of 17 per cent. Upon the repatriation of business profits to the UK, the Group is subject to withholding tax of 5 per cent. There are a number of further taxes specific to oil and gas operations, some of which may be waived for marginal fields.

PART III

Risk Factors

An investment in the Company is subject to a number of risks. Prospective investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including, in particular, the risks described below, before making any investment decision. The information below does not purport to be an exhaustive list. Investors should consider carefully whether investment in the Ordinary Shares and the Warrants is suitable for them in the light of the information in this document and their personal circumstances. Before making any final decision, prospective investors in any doubt should consult with an investment adviser authorised under the Financial Services and Markets Act 2000. If any of the following risks were to materialise, the Company's business, financial position, results and/or future operations may be materially adversely affected. In such case, the market price of the Ordinary Shares and the Warrants may decline and an investor may lose all or part of his investment. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company.

1. General

Investment risk

Although the Ordinary Shares and the Warrants are to be admitted to trading on AIM, they will not be listed on the Official List. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Company's securities cannot be guaranteed.

Investors should be aware that, following Admission, the market price of the Ordinary Shares and the Warrants may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment. This volatility could be attributable to various facts and events, including any regulatory or economic changes affecting the Group's operations, variations in the Group's operating results, the market price of oil and gas, developments in the Group's business or its competitors, or changes in market sentiment towards the Ordinary Shares and the Warrants. In addition, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors.

At the same time, market conditions may affect the Ordinary Shares and the Warrants regardless of the Group's operating performance or the overall performance of the oil and gas exploration and production sector. Share market conditions are affected by many factors such as general economic outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand and supply for capital.

Accordingly, the market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets, and the price at which investors may dispose of their Ordinary Shares or their Warrants at any point in time may be influenced by a number of factors, only some of which may pertain to the Group while others of which may be outside the Group's control.

2. Risks relating to the Company and the Oil and Gas Industry

Exploration, drilling and operational risks

The business of exploration and production of oil and gas involves a high degree of risk. Few properties that are explored are ultimately developed into producing oil and gas fields.

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, oceanographic conditions, hazardous weather conditions or other factors.

There are numerous risks inherent in drilling and operating wells, many of which are beyond the Company's control. The Group's 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/or other equipment, labour disputes and compliance with governmental requirements.

Drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells which, though yielding some petroleum, are not sufficiently productive to justify commercial development or cover operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs.

The reserves data included in this document are estimates. The nature of reserve quantification studies means that there can be no guarantee that estimates of quantities and quality of oil and gas disclosed will be available for extraction. Therefore, actual production, revenues, cash flows, royalties and development and operating expenditures may vary from these estimates. Such variances may be material.

Competition

The oil and gas industry is highly competitive. There is strong competition for the discovery and acquisition of properties considered to have commercial potential. The Group competes with other exploration and production companies, many of which have greater financial resources than the Group, for the acquisition of properties, leases and other interests as well as for the recruitment and retention of skilled personnel.

Such factors may result in the Group being unable to secure new exploration areas or recruit and retain staff.

Commodity prices

The profitability and cashflow of the Group's operations will be dependent upon the market price of oil and gas. This has fluctuated widely, particularly in recent years. Oil and gas prices are affected by numerous factors beyond the Group's control, including economic and political conditions, levels of supply and demand, the policies of the Organisation of Petroleum Exporting Countries, currency exchange rates and the availability of alternate fuel sources. If the price of oil and gas products should drop significantly, the economic prospects of the projects in which the Group has an interest could be significantly reduced or rendered uneconomic.

Market risk

The marketability of any oil and gas discovered will be affected by numerous factors beyond the control of the Group. These factors include market fluctuations, proximity and capacity of oil and gas pipelines and processing equipment, availability of transportation capacity and government regulations including regulations relating to taxation, royalties, productions levels, imports and exports and the environment, the effect of which cannot be accurately predicted.

Oil and gas assets

The Group's production and prospective production comes from its interests in a small number of oil and gas fields. Whilst the Group has increased the number of oil and gas fields in which it has an interest, it will remain dependent on a relatively small number of fields. Operational problems in any one field could have a materially adverse affect on the Group.

Currency risk

The Group's operations are subject to exchange rate fluctuations and may become subject to exchange control or similar restrictions. Such fluctuations may affect the cash flows that the Group may realise from its operations, as the market for oil and gas is principally denominated in US dollars. The Group's costs are incurred primarily in US dollars and British pounds.

Dependence on key executives and personnel

The Group's development and prospects are dependent upon the continued services and performance of its senior management and other key personnel. The loss of the services of any of the senior management or key personnel may have an adverse impact on the Group.

Environmental and other regulatory requirements

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditure, restrictions and delays in the activities of the Group, the extent of which cannot be predicted. Before production can commence on any properties, the Group must obtain regulatory approval and there is no assurance that such approvals will be obtained. Whilst the Directors believe that the Group's current provision for compliance with the environmental laws and regulations of the countries in which it operates is reasonable, no assurance can be given that new rules and regulations will not be enacted or existing rules and regulations will not be applied in a manner which could limit or curtail the Group's production or development.

Uninsured risks

Industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharges of toxic gases, the occurrence of any of which could result in substantial losses to the Group due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operators. Damages occurring as a result of such risks may give rise to claims against the Group.

Although the Group believes that it or, where applicable, the operator will carry adequate insurance, with respect to its operations in accordance with industry practice, in certain circumstances the Group's or, where applicable, the operator's insurance may not cover or be adequate to cover the consequences of such events. The occurrence of an event that is not covered or not fully covered by insurance could have a materially adverse effect on the business, financial condition and results of operations of the Group. Moreover, there can be no assurance that the Group will be able to maintain adequate insurance in the future at rates that it considers reasonable.

Financing risks

The development of the Group's properties will depend upon the Group's ability to obtain financing through the joint venture of projects, public financing, debt financing or other means. There is no assurance that the Group will be successful in obtaining the required financing. Any additional equity financing may be dilutive to existing Shareholders and debt financing, if available, may involve restrictions on financing operating activities. If the Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

Force majeure

The Group's projects may be adversely affected by risks outside the control of the Group including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, acts of God, explosions or other catastrophes, epidemics or quarantine restrictions.

Political Situation in Ukraine and Romania

Some of the Group's projects are located in the Ukraine and Romania. While the Directors believe that the current governments of Ukraine and Romania are stable, changes in government policies may affect the Group's exploration and development of oil and gas resources in those countries and hence affect the Group's financial performance. *In extremis*, the Group may be at risk from incidents such as war, expropriation, nationalisation, re-negotiation or nullification of existing contracts, changes in tax policies, currency exchange restriction, changing political conditions and international monetary fluctuations need to be considered by investors.

PART IV

Accountants' Reports

The following is the full text of a report on Europa Oil & Gas (Holdings) plc from Nexia Audit Limited, the Reporting Accountants, to the Directors of Europa Oil & Gas (Holdings) plc and Westhouse Securities LLP.

Nexia Audit
Limited

Nexia Audit Limited
No 1 Riding House Street
London W1A 3AS

The Directors
Europa Oil & Gas (Holdings) plc
No 1 Riding House Street
London W1A 3AS

The Directors
Westhouse Securities LLP
Clements House
14-18 Gresham Street
London EC2V 7NN

3 November 2004

Dear Sirs

Europa Oil & Gas (Holdings) plc

Introduction

We report on the financial information set out on pages 35 and 36 relating to Europa Oil & Gas (Holdings) plc ("the Company"). The financial information has been prepared for inclusion in the Prospectus dated 3 November 2004 relating to the admission to AIM of the Company.

The Company was incorporated on 31 August 2004. The Company has not traded, prepared any financial statements for presentation to members, incurred neither profit nor loss, and has neither declared dividends nor paid dividends or made any other distributions since the date of incorporation. There have been no transactions other than the issue of shares described below. Accordingly, no profit and loss or cashflow information is present in this report.

Basis of Preparation

The financial information set out on pages 35 and 36 is based on the financial records of the Company, as at 31 August 2004 to which no adjustment was considered necessary. No audited financial statements have been prepared for submission to members in respect of any period since incorporation.

Responsibility

The financial records and financial information are the responsibility of the directors of the Company. The directors of the Company are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in our report from the Company's financial records, to form an opinion on the financial information and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial records underlying the financial information and whether the accounting policies are appropriate to the Company, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud, other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Company as at the date stated.

Consent

We consent to the inclusion in the Prospectus of this report and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 of the POS Regulations.

Financial Information

The balance sheet of the Company as at 31 August 2004 is as follows:

	Notes	£
Current assets		
Nil paid share capital		0.02
Net Assets		0.02
Capital and reserves		
Equity share capital		
Ordinary shares	2	0.02
Total capital employed		0.02

Notes to the financial statements

Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information.

1. **Basis of preparation**

   The balance sheet has been prepared in accordance with the historical cost convention.

2. **Share capital**

   The Company was incorporated on 31 August 2004 with an authorised share capital of £1,000,000 divided into 100,000,000 ordinary shares of 1p each. The two subscribers to the memorandum of association of the Company each held one ordinary share of 1p each.

3. **Post balance sheet events**

   On 26 October 2004 the Company acquired the whole of the issued share capital of Europa Oil & Gas Limited by way of a share for share exchange. 39,999,998 1 pence ordinary shares in the Company were issued in consideration for the acquisition of 19,344 ordinary shares in Europa Oil & Gas Limited.

   Additional information regarding the Company and post balance sheet events is given in Part V of the Prospectus.

Yours faithfully

Nexia Audit Limited
Chartered Accountants and Registered Auditors
London

The following is the full text of a report on Europa Oil & Gas Limited and its subsidiaries from Nexia Audit Limited, the Reporting Accountants, to the Directors of Europa Oil & Gas (Holdings) plc and Westhouse Securities LLP.

Nexia Audit
Limited

The Directors
Europa Oil & Gas (Holdings) plc
1 Riding House Street
London W1A 3AS

The Directors
Westhouse Securities LLP
Clements House
14-18 Gresham Street
London EC2V 7NN

3 November 2004

Dear Sirs

Europa Oil & Gas Limited and its subsidiaries

We report on the financial information set out on pages 37 to 52 relating to Europa Oil & Gas Limited ("EOG") and its subsidiaries (together "EOG group"). This financial information has been prepared for inclusion in the Prospectus dated 3 November 2004.

Basis of preparation

The financial information set out on pages 37 to 52 is based without material adjustment on the audited consolidated financial statements of EOG for the eighteen month period ended 31 July 2004. The comparative financial information for the years ended 31 January 2003 and 31 January 2002 is based on the accounts of EOG for that year, that were not prepared on a consolidated basis, together with information relating to EOG's Ukrainian subsidiary. The financial information has been drafted in accordance with accounting policies adopted by EOG and is presented in accordance with United Kingdom Generally Accepted Accounting Principles. Some reclassification of balances was made in the statutory accounts for the period ended 31 July 2004 compared to their disclosure in the accounts for prior periods and comparative balances have been similarly reclassified in preparing this report.

The unconsolidated 2002 and 2003 financial statements of the parent company, Europa Oil & Gas Limited, were audited by Duncan & Toplis of 14 London Road, Newark, Nottinghamshire, NG24 1TW. The 2004 consolidated financial statements were audited by Nexia Audit Limited. [In all cases unqualified audit opinions on the financial statements were given]. The eighteen-month period to 31 July 2004 was the first statutory reporting period for which consolidated statutory financial statements have been prepared.

Responsibility

Such financial information is the responsibility of the Directors of EOG who approved their issue.

The Directors of Europa Oil & Gas (Holdings) plc are responsible for the contents of the Prospectus dated 3 November 2004 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information.

The evidence included that recorded by us relating to the audit of the consolidated financial statements for the eighteen months ended 31 July 2004 and information and explanations provided by the previous auditors, Duncan & Toplis, who audited the parent company's financial statements for 2002 and 2003. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus dated 3 November 2004, a true and fair view of the state of affairs of EOG as at the dates stated and of its profits and losses and cash flows for the periods then ended.

Consent

We consent to the inclusion in the Prospectus of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b) and 45(10)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Consolidated Profit and Loss Accounts

	Note	*Year ended 31 January 2002* £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
Turnover	1	418	33,515	1,952,051
Cost of sales				
– Operating costs		(3,397)	(13,006)	(476,745)
– Depletion and amortisation		—	—	(665,722)
Gross (loss)/profit		(2,979)	20,509	809,584
Administrative expenses		(24,175)	63,723	(115,900)
Operating (loss)/profit	4	(27,154)	84,232	693,684
Interest receivable	5	2,966	50	493
Interest payable and similar charges	6	(33)	(461)	(375,594)
(Loss)/profit on ordinary activities before taxation		(24,221)	83,821	318,583
Tax on (loss)/profit on ordinary activities	6	(320)	(98)	(20,539)
Retained (loss)/profit for the financial year		(24,541)	83,723	298,044

All activities are classed as continuing.

Statements of Total Recognised Gains and Losses

	Year ended 31 January 2002 £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
(Loss)/profit on ordinary activities after taxation	(24,541)	83,723	298,044
Currency translation difference on foreign currency net investment	2,405	(2,440)	(2,462)
Total recognised (losses)/profit in the year	(22,136)	81,283	295,582

Consolidated Balance Sheets

	Note	*Year ended 31 January 2002* £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
Fixed Assets				
Intangible assets	9a	1,377,128	3,509,274	2,958,861
Tangible assets	9b	—	—	3,019,071
		1,377,128	3,509,274	5,977,932
Current Assets				
Debtors	11	318,809	377,824	284,433
Cash at bank and in hand		52,616	16,447	48,789
		371,425	394,271	333,222
Creditors – amounts falling due within one year	12	(1,098,043)	(3,171,752)	(3,792,621)
Net current liabilities		(726,618)	(2,777,481)	(3,459,399)
Total assets less current liabilities		650,510	731,793	2,518,533
Creditors – amounts falling due after more than one year	13	—	—	(1,191,158)
Provision for liabilities and charges	15	—	—	(300,000)
Net Assets		650,510	731,793	1,027,375
Capital and Reserves				
Called up share capital	16	1,000	1,000	1,000
Share premium account	17	669,425	669,425	669,425
Profit and loss account	17	(19,915)	61,368	356,950
Equity Shareholders' Funds	17	650,510	731,793	1,027,375

Consolidated Cash Flow Statements

	Note	*Year ended 31 January 2002* £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
Net cash (outflow)/inflow from operating activities	(b)	(112,395)	1,308,268	1,005,076
Returns on investments and servicing of finance	(c)	2,933	(411)	(375,101)
Taxation		(320)	(140)	(29,343)
Capital expenditure	(c)	(909,577)	(2,139,907)	(3,379,586)
Cash outflow before use of liquid resources and financing		(1,019,359)	(832,190)	(2,778,954)
Financing	(c)	861,728	798,461	2,511,478
Decrease in cash	(a)	(157,631)	(33,729)	(267,476)

(a) Reconciliation of Net Cash Flow to movement in Net Debt

	Year ended 31 January 2002 £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
Decrease in cash in the year	(157,631)	(33,729)	(267,476)
Cash inflow from movement in debt	(861,728)	(798,461)	(2,577,362)
	(1,019,359)	(832,190)	(2,844,838)
Change in net funds resulting from cash flows			
Currency translation adjustment	2,405	(2,440)	251,548
Net funds/(debt) at start of the period	207,842	(809,112)	(1,643,742)
Net debt at end of period	(809,112)	(1,643,742)	(4,237,032)

(b) Reconciliation of Operating (Loss)/Profit to Operating Cash Flow

	Year ended 31 January 2002 £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
Operating (loss)/profit	(27,154)	84,232	693,684
Depreciation	732	7,803	665,722
(Increase)/decrease in debtors	(270,877)	(59,015)	93,391
Decrease/(increase) in creditors	184,904	1,275,248	(747,721)
Increase in provision	—	—	300,000
Net cash (outflow)/inflow from operating activities	(112,395)	1,308,268	1,005,076

(c) Analysis of Cash Flows for headings netted in the Cash Flow Statement

	Year ended 31 January 2002 £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
Returns on investments and servicing of finance			
Interest received	2,966	50	493
Interest paid	(33)	(461)	(375,594)
	2,933	(411)	(375,101)
Capital expenditure			
Purchase of fixed assets	(909,577)	(2,139,907)	(3,379,586)
	(909,577)	(2,139,907)	(3,379,586)
Financing			
Repayment of loan	861,728	798,461	2,511,478
	861,728	798,461	2,511,478

(d) Analysis of changes in Net Funds

Year ended 31 January 2002

	At 31 January 2001 £	*Cash flows* £	*Exchange* £	*At 31 January 2002* £
Cash at bank and in hand	207,842	(157,631)	2,405	52,616
Loans due within 1 year	—	(861,728)	—	(861,728)
Net funds/(debt)	207,842	(1,019,359)	2,405	(809,112)

Year ended 31 January 2003

	At 31 January 2002 £	*Cash flows* £	*Exchange* £	*At 31 January 2003* £
Cash at bank and in hand	52,616	(33,729)	(2,440)	16,447
Loans due within 1 year	(861,728)	(798,461)	—	(1,660,189)
	(861,728)	(798,461)	—	(1,660,189)
Net debt	(809,112)	(832,190)	(2,440)	(1,643,742)

Eighteen months ended 31 July 2004

	At 31 January 2003 £	*Cash flows* £	*Exchange* £	*At 31 July 2004* £
Cash at bank and in hand	16,447	34,804	(2,462)	48,789
Overdrafts	—	(302,280)	—	(302,280)
	16,447	(267,476)	(2,462)	(253,491)
Loans due within 1 year	(1,660,189)	(1,386,204)	254,010	(2,792,383)
Loans due after 1 year	—	(1,191,158)	—	(1,191,158)
	(1,660,189)	(2,577,362)	254,010	(3,983,541)
Net debt	(1,643,742)	(2,844,838)	251,548	(4,237,032)

Notes to the Financial Information

1. Accounting policies

The financial information has been prepared in accordance with applicable accounting standards. A summary of the more important accounting policies adopted are described below.

Basis of accounting

The financial information has been prepared under the historical cost convention, in accordance with applicable United Kingdom accounting standards and the Statement of Recommended Practice "Accounting for oil and gas exploration, development, production and decommissioning activities" published by the Institute of Petroleum on behalf of the U.K. Oil Industry Accounting Committee ("the SORP").

Basis of consolidation

The group financial information consolidates that of the company and of its material subsidiary undertakings (see note 10) drawn up to 31 July 2004. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting except for those qualifying as group reconstructions where merger accounting is permitted.

The group is engaged in oil and gas exploration, development and production through unincorporated joint arrangements. The group accounts for its share of the results and net assets of these joint arrangements. In addition, where the group acts as operator to the joint arrangement, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint arrangement are included in the group consolidated balance sheet.

Fixed assets

Oil and gas interests

The financial information for oil and gas exploration has been prepared under the full cost basis as set out in the SORP.

Pre-production costs

Licence acquisition costs, geological and geophysical costs, costs of drilling exploration, appraisal and development wells, and an appropriate share of overheads (including appropriate directors' costs) are capitalised and accumulated in full cost pools within tangible fixed assets on a geographical basis.

Costs relating to the exploration and appraisal of oil and gas interests which the directors consider to be unevaluated are initially held outside the cost pool as intangible fixed assets. These costs are reassessed at each year end and at the conclusion of an appraisal programme the related costs are transferred to the full cost pool within fixed assets.

Impairment tests

An impairment test is carried out at each balance sheet date to assess whether the net book value of the capitalised costs in each pool is covered by the associated recoverable amount, as outlined in FRS 11 "Impairment of Fixed Assets and Goodwill". Impairment losses are recognised in the profit and loss account.

Where there has been a change in economic conditions that indicates a possible impairment in the value of a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs. Any impairment identified is charged to the profit and loss account as additional depreciation, depletion and amortisation. Where conditions giving rise to an impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the profit and loss account, net of any amortisation that would have been charged since the impairment.

Depreciation

All expenditure carried out within each field is depreciation 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 commercial reserves at the end of the period, plus the production in the period, on a field-by-field basis. A field is an area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological and/or stratigraphic condition. Costs used in the unit of production calculation comprise of the net book value of capitalised costs plus the estimated future field development costs. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Future decommissioning costs

Provision for decommissioning is recognised in full at the commencement of oil and natural gas production. A corresponding tangible fixed asset 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. This asset is subsequently depreciated as part of the capital costs of production and related facilities, on a unit production basis. 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 the interest expense.

Deferred taxation

Deferred tax is provided for on a full provision basis on all timing differences, which have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of gains on sale of assets where those gains have been rolled over into replacement assets. Deferred tax assets are recognised to the extent that they are recoverable, that is, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Any assets and liabilities recognised have not been discounted.

Foreign currencies

In the accounts of individual companies, transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the profit and loss account.

For the purposes of consolidation the closing rate method is used under which translation gains and losses on the opening net assets of overseas undertakings are shown as a movement in reserves. Profit and loss accounts of overseas undertakings are translated at the closing exchange rate for the period.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Turnover

Turnover, which excludes value added tax, represents net invoiced sales of goods and services.

Pensions

The company contributes to money purchase pension plans for certain employees. The charge for the year represents the premiums payable to these schemes during the year.

2. Geographical analysis

	2002 £	*2003* £	*2004* £
Turnover			
UK	418	4,851	1,795,339
Ukraine	—	28,664	156,712
	418	33,515	1,952,051
Group operating (loss)/profit			
UK	(16,423)	84,232	693,684
Ukraine	(10,731)	—	—
	(27,154)	84,232	693,684
Group intangible fixed assets			
UK	64,592	1,561,992	25,682
Ukraine	939,513	1,410,460	1,510,739
Romania	373,023	528,438	1,414,056
Poland	—	8,384	8,384
	1,377,128	3,509,274	2,958,861
Group tangible fixed assets			
UK	—	—	3,019,071

3. Information regarding directors and employees

(a) *Directors' emoluments*

	Year ended 31 January 2002 £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
Consideration paid to third parties	33,134	38,092	100,482

(b) *Employee numbers*

The average number of staff employed within each category was:

Year ended 31 January 2002 Number	*Year ended 31 January 2003 Number*	*Eighteen months ended 31 July 2004 Number*
11	20	24

(c) *The costs incurred in respect of these employees* were as follows:

	Year ended 31 January 2002 £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
Wages and salaries	15,639	22,564	108,352
Social security costs	4,974	8,390	47,238
Pension costs	—	—	4,093
	20,613	30,954	159,683

None of the directors received any remuneration from the company in the three periods reported.

4. Operating (loss)/profit

	Year ended 31 January 2002 £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
Operating (loss)/profit is arrived at after charging/(crediting):			
Depreciation	—	—	665,722
Auditors' remuneration – group audit fees (of which £7,500 relates to the parent company)	2,740	2,500	10,000
non-audit services (paid to related companies of the auditors)	—	—	10,000
Loss/(gain) on foreign currency transactions	1,900	(119,460)	(268,595)

5. Interest receivable

	Year ended 31 January 2002 £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
Bank interest receivable	2,966	50	493

6. Interest payable and similar charges

	Year ended 31 January 2002 £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
Bank interest payable	33	461	13,020
Unwinding of discount on decommissioning provision	—	—	6,336
Loan interest payable	—	—	356,238
	33	461	375,594

7. Tax on profit on ordinary activities

a) *Analysis of tax charge/(credit) on ordinary activities*

	Year ended 31 January 2002 £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
United Kingdom corporation tax at 30% (2003: 30%, 2002: 30%) of taxable profit	—	—	—
Overcharge for prior years	—	—	—
Foreign tax	—	—	20,539
Adjustments to prior year tax provisions	—	—	—
	—	—	20,539

(b) *Factors affecting tax charge/(credit) for the year*

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30 per cent.). The differences are explained below:

	Year ended 31 January 2002 £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
Standard tax rate for the year as a percentage of profits	(4,047)	25,117	95,575
Effects of:			
Expenses not deductible for tax purposes	4,047	—	4,775
Depreciation in excess of capital allowances	—	(25,117)	(409,281)
Losses carried forward	—	—	308,931
Overseas tax	—	98	20,539
Tax credit for year as percentage of loss for the year	—	98	20,539

(c) *Factors that may affect the future tax charge*

Certain expenditure relating to the company's Ukrainian operations has been queried by the Inland Revenue and the company is in discussion regarding the value of the tax deductions relating to that expenditure. However, the directors believe that the majority of the costs will qualify for tax allowances and therefore believe that group UK tax losses of approximately £4 million will prove to be available to be offset against future profits. No deferred tax asset has been recognised in respect of these losses. The losses are in part created by accelerated capital allowances of £2.4 million, which are likely to reverse in future periods. At a tax rate of 30 per cent. the unprovided deferred tax asset is £1.2 million which is £480,000 in excess of the accelerated capital allowances evaluated at a 30 per cent. tax rate.

8. (Loss)/profit of Parent Company

	Year ended 31 January 2002 £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
Parent Company's (loss)/profit for the financial period	(13,490)	83,723	448,892

9. (a) Intangible Fixed Assets

	Cost of exploration £
Cost	
At 31 January 2001	468,283
Additions	908,845
At 31 January 2002	1,377,128
Additions	2,132,146
At 31 January 2003	3,509,274
Additions	1,011,579
Transferred to tangible fixed assets	(1,561,992)
At 31 July 2004	2,958,861

Prior to the preparation of the statutory accounts for the period ended 31 July 2004 exploration and development costs were classified as tangible fixed assets. However during this period the directors reviewed this classification and determined that these costs are better disclosed as intangible assets up to the point where production commences, and then transferred to tangible fixed assets. The balances as at 1 February 2003 have therefore been restated to disclose these costs as intangible fixed assets rather than tangible fixed assets.

9. (b) Tangible Fixed Assets

	Cost of operating fields £
Cost	
At 31 January 2001, 2002 and 2003	—
Transferred from intangible assets	1,561,992
Additions	2,122,801
At 31 July 2004	3,684,793
Depreciation	
At 31 January 2001, 2002 and 2003	—
Charge for the period	665,722
At 31 July 2004	665,722
Net Book Value	
At 31 January 2001, 2002 and 2003	—
At 31 July 2004	3,019,071

10. Investments Held as Fixed Assets

The company's investments at the balance sheet date in the share capital of unlisted companies include the following:

The company owns 100 per cent. of Europa Oil & Gas (West Firsby) Limited, a company registered in England and Wales, and 100 per cent. of the share capital of Europa Naft I Gas Ukraine, a company registered in the Ukraine. The results of both of these companies have been included in the consolidated accounts.

The company also owns 100 per cent. of Malopolska Oil & Gas Company Sp.z.o.o., a company registered in Poland. The results of this company have not been consolidated on the grounds that its results are not material to the group.

11. Debtors

	Year ended 31 January 2002 £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
Trade debtors	—	156,218	221,084
Other debtors	126,954	199,284	11,657
Prepayments	190,856	19,902	17,114
Accrued income	999	2,420	34,578
	318,809	377,824	284,433

12. Creditors: Amounts falling due within one year

	Year ended 31 January 2002 £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
Bank overdraft	—	—	302,280
Trade creditors	97,110	1,356,609	563,888
Loans - related parties	861,728	1,660,189	2,792,383
- other	—	—	82,115
Other creditors including taxation and social security	137,205	150,454	4,832
Accruals and deferred income	2,000	4,500	47,123
	1,098,043	3,171,752	3,792,621

13. Creditors: Amounts falling due after one year

	Year ended 31 January 2002 £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
Loans repayable between 2 and 5 years	—	—	328,671
Loans repayable after 5 years	—	—	862,487
	—	—	1,191,158

14. Borrowings

	Year ended 31 January 2002 £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
Falling due within one year:			
Bank overdraft	—	—	302,280
Loans	861,728	1,660,189	2,874,498
	861,728	1,660,189	3,176,778
Falling due after one year:			
Loans	—	—	1,191,158
	861,728	1,660,189	4,367,936

Related party loans

Loans include US dollar denominated loans with a sterling value at 31 July 2004 of £2,472,212 due to Alpha 2000. This loan together with £131,371 due to Paul Barrett and Erika Syba have, as described in note 19, been converted to share capital since the balance sheet date and any interest on these sums due but unprovided in this financial information wavied. Alpha 2000 is wholly owned by Sherborne Trust of which William Ahlefeldt is a beneficiary. A loan of £188,800 due to William Ahlefeldt personally, also included in loans, has not been converted to share capital and accrues interest at LIBOR plus 3%. Interest of £13,000 has been provided in accruals. The bank overdraft is subject to a personal guarantee by William Ahlefeldt.

Other loans

Included in loans is an amount of £1,273,274 that has been issued under terms that require that 65 per cent. of gross revenues from the company's oil production are payable to the loan provider to fund interest and capital until the payments exceed the loan balance. Thereafter the loan provider also retains a 25 per cent. interest in gross revenues. The effective interest rate borne by the company for the period under the terms of the agreement was 30 per cent. This loan has been split between due within one year and due after one year based on the assumption that the company will carry on producing 4,000 barrels of oil a month, at a selling price of $38 dollars a month. Under the terms of the loan agreement if the company is in breach of certain obligations then the loan provider is entitled to require the company to assign its current main production licence to the finance provider for $1.

15. Provisions for Liabilities and Charges

	Decommisioning costs £
At 31 January 2002 and 31 January 2003	—
Provided in period	300,000
At 31 July 2004	300,000

16. Called Up Share Capital

	Year ended 31 January 2002 £	*Year ended 31 January 2003* £	*Eighteen months ended 31 July 2004* £
Authorised			
1,000,000 ordinary shares of 10 pence each	100,000	100,000	100,000
	£	£	£
Allotted, issued and fully paid			
10,000 ordinary shares of 10 pence each	1,000	1,000	1,000

17. Reconciliation of Movements in Equity Shareholders' Funds

	Share capital £	*Share Premium Account* £	*Profit and loss account* £	*Total* £
At 31 January 2001	1,000	669,425	2,221	672,646
Loss retained for the year	—	—	(24,541)	(24,541)
Exchange movement	—	—	2,405	2,405
At 31 January 2002	1,000	669,425	(19,915)	650,510
Profit retained for the year	—	—	83,723	83,723
Exchange movement	—	—	(2,440)	(2,440)
At 31 January 2003	1,000	669,425	61,368	731,793
Profit retained for the year	—	—	298,044	298,044
Exchange movement	—	—	(2,462)	(2,462)
At 31 July 2004	1,000	669,425	356,950	1,027,375

18. Related Party Transactions

During the period the company incurred costs of £100,482 (2003: £38,092) from Brigantian Exploration Limited, a company in which the Directors have an interest for Directors' services (as disclosed in note 3a). At 31 July 2004, the company owed £48,214 (2003: £19,544) to Brigantian Exploration Limited.

See note 14 for discussion of related party loans.

19. Post Balance Sheet Events

During September and October 2004 US dollar denominated loans with year end value of £2,472,212 from Alpha 2000 Holdings, a company connected to William Ahlefeldt-Laurvig, were converted into ordinary share capital together with loans of £131,371 from other directors (see also note 14).

On 26 October 2004 the whole of the issued share capital of the company was acquired by Europa Oil & Gas (Holdings) plc by way of a share for share exchange. 39,999,998 1 pence ordinary shares in Europa Oil & Gas (Holdings) plc were issued in consideration for the acquisition of 19,344 ordinary shares in Europa Oil & Gas Limited.

Additional information regarding EOG Group and the share issues and exchange is given in Part V of this Prospectus.

Yours faithfully

Nexia Audit Limited
Chartered Accountants
No 1 Riding House Street
London W1A 3AS

PART V

Additional Information

1. Company and Share Capital

(a) The Company was incorporated in England and Wales as a public limited company on 31 August 2004 under the Act with registered number 5217946. The liability of the members of the Company is limited.

(b) The principal legislation under which the Company operates is the Act and regulations made thereunder.

(c) On 27 October 2004 the Registrar of Companies issued a certificate under section 117 of the Act.

(d) The Company's authorised share capital is £1,500,000 divided into 150,000,000 ordinary shares of 1p each of which a total of 40,000,000 have been issued fully paid or credited as fully paid.

(i) By an ordinary resolution passed at an extraordinary general meeting of the Company held on 27 October 2004, the Company resolved that the Directors be generally and unconditionally authorised (in substitution for all previous powers granted thereunder) pursuant to section 80 of the Act to exercise all the powers of the Company to allot and make offers to allot relevant securities up to an aggregate nominal amount of £500,000 during the period expiring on the conclusion of the 2005 annual general meeting of the Company unless this authority is previously revoked or varied by the Company provided that the Company may before such expiry make an offer or enter into an agreement which would or might require such relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer as if the authority conferred by that resolution had not expired.

(ii) By a special resolution passed at an extraordinary general meeting of the Company held on 27 October 2004, the Company resolved that the Directors be empowered (in substitution for all previous powers granted thereunder) to allot equity securities pursuant to the authority referred to in sub-paragraph (d)(i) above as if section 89(1) of the Act does not apply to any such allotment provided that such authority was limited to: pre-emptive issues; the grant of options and the allotment of Ordinary Shares on the exercise of such options up to an aggregate nominal value of £22,600, the grant or allotment of equity securities up to an aggregate nominal value of £100,000 pursuant to the Warrants, and the allotment of further equity securities up to an aggregate nominal amount of £60,000. Such authority shall expire at the conclusion of the 2005 annual general meeting of the Company although the Company may, before the expiry of such authority, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired.

(e) Immediately following completion of the Placing, the authorised and issued share capital of the Company will be as follows:

Authorised		*Issued and fully paid*	
Number	*Amount*	*Number*	*Amount*
150,000,000	£1,500,000.00	60,000,000	£600,000.00

(f) Save as disclosed in this document, no share or loan capital of the Company has since its incorporation been issued or agreed to be issued or is now proposed to be issued fully or partly paid either for cash or a consideration other than cash and no discounts or other special terms have been granted by the Company during such period in connection with the sale or issue of any share or loan capital of the Company.

(g) The following options were granted, conditional on Admission, on 3 November 2004 under the Share Option Schemes to Directors:

Name	*Number of Ordinary Shares over which options granted under the EMI Scheme*	*Number of Ordinary Shares over which options granted under the Unapproved Share Option Plan*
Sir Michael Oliver	—	200,000
Ewen Ainsworth	400,000	—

In addition, options over a total of 160,000 Ordinary Shares have been granted to employees of the Group under the EMI Scheme and a total of 300,000 Ordinary Shares to consultants of the Group under the Unapproved Share Option Plan.

Each of the options is exercisable at the Placing Price. Each grantee may exercise one third of the number of options granted 18 months after the date of Admission. A further third will be exercisable 30 months after the date of Admission, and the balance are exercisable 42 months after the date of Admission.

(h) Conditional on Admission, 10,000,000 Warrants will be issued pursuant to the Warrant Instrument.

(i) Save for the options that have been granted under the Share Option Schemes (as described in paragraph (g) above and the options referred to paragraphs 6(e) and (f) below) and the Warrants that will be issued under the Warrant Instrument, no share capital of the Company is under option or warrant and there is no conditional or unconditional agreement to put any such capital under option or warrant.

2. Directors and their Interests

(a) The Directors are Sir Michael Oliver, Paul Barrett, Dr. Erika Syba, Ewen Ainsworth and William Ahlefeldt.

(b) Other directorships and partnerships held by the Directors currently or in the five years preceding the date of this document are as follows:

Current Directorships and Partnerships	*Previous Directorships and Partnerships*
Sir Michael Oliver:	
Garbhaig Hydro Power Company Limited GoldStone Resources Limited Icebreaker I LLP The Bishopsgate Foundation The Central and Eastern European Fund Limited The European Growth Fund Limited The Euro Spain Fund Limited The Museum of the Port of London and Docklands	Ferroners Limited Garbhaig Hydro Power (1994) Limited German Smaller Companies Investment Trust plc Highland Light & Power Limited Hill Samuel UK Emerging Companies Investment Trust plc Olivers' Wharf (Management) Limited
Paul Barrett:	
Brigantian Exploration Limited Europa Oil & Gas Limited Europa Oil & Gas (West Firsby) Limited Malopolska Oil & Gas Company Sp.z.o.o.	None
Dr. Erika Syba:	
Brigantian Exploration Limited Europa Oil & Gas Limited Europa Oil & Gas (West Firsby) Limited	None

Current Directorships and Partnerships	*Previous Directorships and Partnerships*
Ewen Ainsworth:	
Discovery Energy Limited	None
William Ahlefeldt:	
Europa Oil & Gas (West Firsby) Limited Oilfield Rehabilitation Limited	Aether Group (Holdings) Limited

None of the Directors has:

(i) any unspent convictions relating to indictable offences;

(ii) had a bankruptcy order made against him or entered into any individual voluntary arrangements;

(iii) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company at the time of, or within the twelve months preceding, such events;

(iv) been a partner of a firm which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner of that firm at the time of, or within twelve months preceding, such events;

(v) had any asset belonging to him placed in receivership or been a partner of a partnership whose assets have been placed in receivership whilst he was a partner at the time of, or within twelve months preceding, such receivership; or

(vi) been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

(c) The interests (all of which are beneficial unless otherwise stated) of the Directors and persons connected with the Directors within the meaning of section 346 of the Act, in the share capital of the Company as required to be notified to the Company pursuant to section 324 or section 328 of the Act or are required to be disclosed in the Register of Directors' Interests pursuant to section 325 of the Act in the issued share capital of the Company and the existence of which is known to or could with reasonable due diligence be ascertained by, any Director as at the date of this document and is expected to be immediately following the Placing, are as follows:

	At the date of this document	*Immediately following the Placing*	
Name of Director	*Number of Ordinary Shares in which interested*	*Number of Ordinary Shares in which interested*	*Number of Warrants in which interested*
Sir Michael Oliver	—	—	—
Paul Barrett	16,042,184[(1)]	16,042,184[(1)]	—
Dr. Erika Syba	16,042,184[(1)]	16,042,184[(1)]	—
Ewen Ainsworth	175,765	275,765	50,000
William Ahlefeldt	22,696,442[(2)]	23,252,442[(2)]	278,000

Notes

(1) Paul Barrett and Dr. Erika Syba are each the registered owner of 8,021,092 Ordinary Shares. As they are married to each other, the holding of the other is deemed, for the purposes of section 346 of the Act, to be part of their own holding.

(2) These shares are registered in the name of Alpha 2000 Holdings Limited which is wholly owned by the Sherborne Trust, a discretionary trust of which William Ahlefeldt is a beneficiary.

Certain of the Directors have been granted options to subscribe for Ordinary Shares as described in paragraph 1(g) above.

Save as disclosed above, none of the Directors or persons connected with the Directors (within the meaning of section 346 of the Act) has any interest whether beneficial or non beneficial in any share or loan capital of the Company.

(d) The following are particulars of the Directors' service agreements with the Company:

(i) Paul Barrett will enter into a service agreement with the Company with effect from and subject to Admission. He will be appointed as the Managing Director and as an Executive Director of the Company and continue to be appointed as the Managing Director and as an Executive Director of EOG. The appointment will continue until terminated upon 12 months' written notice by either party. Mr Barrett will receive a salary of £90,000 per annum. He will receive 30 days' holiday per annum. He will receive contractual sick pay, private medical insurance cover, permanent health insurance cover and life assurance cover. Mr Barrett will be entitled to participate in the Company's Stakeholder pension scheme. The Company will make contributions to the scheme of 15 per cent. of Mr Barrett's basic salary. Mr Barrett will be subject to various post-termination restrictions.

(ii) Dr Erika Syba will enter into a service agreement with the Company with effect from and subject to Admission. She will be appointed as the Operations Director and as an Executive Director of the Company and continue to be appointed as the Operations Director and as an Executive Director of EOG. The appointment will continue until terminated upon six months' written notice by either party. Dr Syba will receive a salary of £45,000 per annum to work 26 hours per week. She will receive additional remuneration for additional hours worked. She will receive 30 days' holiday per annum. She will receive contractual sick pay, private medical insurance cover, permanent health insurance cover and life assurance cover. Dr Syba will be entitled to participate in the Company Stakeholder pension scheme. The Company will make contributions to the scheme of 15 per cent. of Dr Syba's basic salary. Dr Syba will also be subject to various post-termination restrictions.

(iii) Ewen Ainsworth will enter into a service agreement with the Company with effect from and subject to Admission. He will be appointed as the Finance Director and as an Executive Director of the Company and of EOG. The appointment will continue until terminated upon six months' written notice by either party initially and increasing to 12 months' notice after one year's continuous service. Mr Ainsworth will receive a salary of £75,000 per annum. He will receive 30 days' holiday per annum. He will receive contractual sick pay, private medical insurance cover, permanent health insurance cover and life assurance cover. The Company will make contributions to his personal pension scheme at the initial rate of 10 per cent. of his basic salary increasing to 15 per cent. after two years' continuous service. Such contributions will be backdated with interest at the average LIBOR from the date of appointment. He will be entitled to participate in the EMI Scheme. Mr Ainsworth will also be subject to various post-termination restrictions.

Save as disclosed above, there are service agreements existing or proposed between any Director and the Company.

The following are the particulars of the Non-Executive Directors' letters of appointment with the Company:

(iv) William Ahlefeldt will be appointed as a Non-Executive Director with effect from and subject to Admission. His appointment will continue for an initial period of 12 months which will be terminable by either party on three months' written notice or subject to earlier resignation or his removal. He will receive an annual fee of £20,000 per annum. William Ahlefeldt chairs the Remuneration and Nomination Committee and is a member of the Audit Committee.

In addition to his services as a Non-Executive Director, William Ahlefeldt is expected to supply services as a petroleum engineer on a consultancy basis for services totalling no more than £75,000 per annum.

(v) Sir Michael Oliver will be appointed as Non-Executive Chairman with effect from and subject to Admission. His appointment will continue for an initial period of 12 months which will be terminable by either party on three months' written notice or subject to earlier resignation or his removal. He will receive an annual fee of £20,000 per annum. He will also participate in the Unapproved Share Option Plan. Sir Michael Oliver is a member of the Remuneration and Nomination Committee and chairs the Audit Committee.

Save as disclosed above there are no letters of appointment existing or proposed between any Director and the Company.

The aggregate remuneration including benefits in kind of the directors of the Company for the 18 month period ended 31 July 2004 amounted to £100,482. It is estimated that under the arrangements currently in force the aggregate remuneration to be paid to the Directors in the financial period ending 31 July 2005 will be approximately £220,000.

(e) Save as disclosed above and elsewhere in this document, there is no contract or arrangement to which the Company is a party and which any Director is materially interested and which is significant in relation to the business of the Company and no amount or benefit has been or is intended to be paid or given to any promoter of the Company.

(f) (i) As at the date of this document, other than disclosed in paragraph (d) above, the Directors are not aware of or expect any holdings to represent an interest within the meaning of Part VI of the Act, directly or indirectly, in three per cent. or more in the issued share capital of the Company.

(ii) Following the completion of the Placing the following persons, other than those disclosed in paragraph (c) above, will have a holding of three per cent. or more in the issued share capital of the Company:

Name	*Number of shares held*	*Percentage of enlarged issued share capital held*
F&C Asset Management plc	3,955,000	6.59
Invesco Asset Management	3,000,000	5.00
PIM Gestion France	3,000,000	5.00
Tudor Capital (UK) LP	2,130,000	3.55

3. Memorandum and Articles of Association

The principal object of the Company, which is set out in Clause 4 of its Memorandum of Association is to carry on business as a General Commercial Company.

The Articles of Association of the Company contain, *inter alia*, provisions to the following effect:

(a) *Voting Rights*

At general meetings of the Company, on a show of hands, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative not being himself a member entitled to vote, shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share held by him. On a poll votes may be given either personally or by proxy.

(b) *Alteration of Capital*

(i) The Company may from time to time by ordinary resolution:

(a) increase its capital as the resolutions shall prescribe;

(b) consolidate and divide all or any of its shares into shares of larger amount;

(c) sub-divide all or any of its shares into shares of smaller amount and attach varying rights to the shares resulting from such sub-division; and

(d) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

(ii) The Company may by special resolution reduce its share capital, any capital redemption reserve fund and any share premium account subject to the provisions of the Act.

(c) *Variation of Rights*

All or any of the special rights for the time being attached to any class of shares for the time being issued may be varied or abrogated with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders (but not otherwise). At every such separate general meeting the necessary quorum shall be not less than two persons holding or representing by proxy not less than one third in nominal amount of the issued shares of the class or, at any adjourned meeting of such holders, one holder who is present in person or by proxy, whatever the amount of his holding, shall be deemed to constitute a meeting.

(d) *Purchase of Own Shares*

Subject to the provisions of the Act and to the sanction by an extraordinary resolution passed at a separate class meeting of the holders of any convertible shares, the Company may purchase any of its own shares of any class (including redeemable shares) at any price.

(e) *Transfer of Shares*

Any member may transfer all or any of his shares. Save where any rules or regulations made under the Act permit otherwise, the instrument of transfer of a share shall be in the usual form or in any other form which the Board may approve and shall be executed by or on behalf of the transferor and (in the case of a share which is not fully paid) by the transferee. The Board may in its absolute discretion and without giving any reason decline to register any transfer of shares which are not fully paid or on which the Company has a lien.

(f) *Dividends and other distributions*

The Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends if it appears that they are justified by the financial position of the Company.

All dividends shall be apportioned and paid *pro rata* to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

Any dividend unclaimed after a period of twelve years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

The Board may, if authorised by an ordinary resolution of the Company, offer members the right to elect to receive shares credited as fully paid in whole or in part, instead of cash, in respect of the dividend specified by the ordinary resolution.

In a winding-up, the liquidator may, with the sanction of an extraordinary resolution and subject to the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the Company and/or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator determines.

(g) *Restrictions on Shares*

If the Board is satisfied that a member or any person appearing to be interested in shares in the Company has been duly served with a notice under section 212 of the Act and is in default in supplying to the Company the information thereby required within a prescribed period after the service of such notice of the Board (of the Company) may serve on such member or on any such person a notice ("a direction notice") in respect of the shares in relation to which the default occurred ("default shares") directing that a member shall not be entitled to vote at any general meeting or class meeting of the Company. Where default shares represent at least 0.25 per cent. of the class of shares concerned the direction notice may in addition direct that any dividend (including shares issued in lieu of a dividend) which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest and no transfer of any of the shares held by the member shall be registered unless it is a transfer on sale to a *bona fide* unconnected third party, or by the acceptance of a take-over offer or through a sale through a recognised investment exchange as defined in the Financial Services Act 1986. The prescribed period referred to above means 14 days from the date of service of the notice under section 212 where the default shares represent at least 0.25 per cent. of the class of shares concerned and 28 days in all other cases.

(h) *Directors*

(i) At each annual general meeting of the Company as near as possible (but not exceeding) one third of the Directors for the time being shall retire by rotation and be eligible for re-election. The Directors to retire will be those who became or who are re-elected Directors on the same day, shall, unless they otherwise agree, be determined by lot.

(ii) Save as provided in paragraph (iii) below, a Director shall not vote (nor be counted in the quorum) on any resolution of the Directors in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest. The Company may by ordinary resolution suspend or relax such provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.

(iii) The prohibition in paragraph (ii) above shall not apply to a Director in relation to any of the following matters, namely: (i) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him for the benefit of the Company or any of its subsidiaries; (ii) the giving of any guarantee security or indemnity to a third party in respect of an obligation of the Company or any of its subsidiaries for which he has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by giving of security; (iii) the subscription for or underwriting or sub-underwriting of any shares, debentures or other securities of the Company or any of its subsidiaries by him; (iv) any proposal concerning any other company in which he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent. or more of either any class of the equity share capital or the voting rights in such company); (v) any resolution relating to an arrangement for the benefit of employees of the Company or any of its subsidiaries and which does not provide in respect of any Director as such any privilege or benefit not accorded to the employees to whom the arrangement relates; and (vi) any proposal concerning the purchase and/or maintenance of any insurance policy against liability for negligence, default, breach of duty or breach of trust in relation to the Company under which he may benefit.

(iv) The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate £100,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board. The Directors shall be entitled to all such

reasonable expenses as they may properly incur in attending meetings of the Board or in the discharge of their duties as Directors. Any Director who by request of the Board performs special services may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine. The Directors may pay pensions and other benefits to, *inter alia,* present and past employees and Directors and may set up and maintain schemes for the purpose.

(v) The provisions of section 293 of the Act relating to the mandatory retirement of Directors at age 70 do not apply to the Company.

(vi) Unless otherwise determined by ordinary resolution of the Company, the number of Directors shall not be less than two. There is no maximum number of Directors. A Director shall not be required to hold any shares of the Company by way of qualification.

(i) *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (so far as regards subsidiaries as by such exercise they can secure) that the aggregate principal amount (including any premium payable on final payment) for the time being outstanding of all monies borrowed by the Company and its subsidiaries and for the time being owing to third parties shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed the greater of £10,000,000 or an amount equal to four times the Adjusted Capital and Reserves (as defined in the Articles of Association).

(j) *Issue and Allotment of Shares*

Subject to the provisions of the Articles relating to the authority to allot shares, the pre-emption rights of shareholders, and otherwise and to any resolution of the Company in general meeting passed pursuant thereto, the unissued shares of the Company (whether forming part of the original or any increased capital) or rights to subscribe for or convert any security into shares, shall be under the control of the directors who may offer, allot, grant options over or otherwise dispose of them to such persons, on such terms and conditions and at such times as they shall think fit, but so that no share shall be allotted at a discount.

4. Share Option Schemes

The following is a summary of the main features of the Share Option Schemes:

(a) *The EMI Scheme*

(ii) *Constitution*

The Plan will be constituted by a set of Rules and administered under the direction of the remuneration committee of the board of directors (the "Remuneration Committee") pursuant to Chapter 9 of Part 7 of the Income Tax (Earnings and Pensions) Act 2003 ("ITEPA") together with Schedule 5 of the ITEPA.

(iii) *Eligible employees*

All employees who satisfy the conditions of Part 4 of Schedule 5 of the ITEPA will be eligible at the invitation of the board of directors. The Remuneration Committee, after consultation with the board of directors, has an absolute discretion in selecting the persons to whom options are to be granted and (subject to the limits set out below) in determining the number of options to be granted.

(iv) *Grant of options*

Options may only be granted during the following periods:

(a) before admission or within 42 days following listing or admission to AIM;

(b) within 42 days of the announcement after the Company's final and interim results for any financial period; and

(c) within 42 days after the occurrence of an event which, in the opinion of the board of directors, is an exceptional event relating to or affecting the Group.

If it is not possible to grant options as a result of the Model Code for Securities Transactions by Directors of Listed Companies (or any code performing the same function as that Model Code), options may be granted within 42 days of the end of the relevant close period. No options may be granted more than 10 years after the adoption of the Approved Share Option Plan. No payment is required for the grant of an option.

(v) *Performance targets*

The board of directors may, acting on the recommendation of the Remuneration Committee, include in any option such objective performance targets and other conditions as it, in its absolute discretion, thinks fit. The board of directors may, if recommended to do so by the Remuneration Committee, amend or waive these performance targets in whatever way is fair and reasonable to take account of later events, provided that any amended condition is not more difficult to achieve.

(vi) *Exercise price*

Options will entitle the recipient to subscribe for Ordinary Shares at a price determined by the board of directors which will not be less than:

(a) in the case of options granted prior to admission to AIM, the placing price for the Ordinary Shares;

(b) and in any other case the market value of an Ordinary Share decided in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992 and (where necessary) agreed in advance with the Inland Revenue Shares Valuation Division (for shares that are traded on AIM the closing price for the preceding day will normally be used); or

(c) if the shares are admitted to the Official List, the middle market quotation of an Ordinary Share, as derived from the Official List, for the three dealing days immediately preceding the date on which the option is granted.

But in no event shall the price be lower than the nominal value of an Ordinary Share.

(vii) *Overall limit on grant of options*

The number of Ordinary Shares over which options may be granted under the Plan on any date shall be limited so that the total number of shares issued or capable of being issued in a ten year period under all share option plans adopted by the Company (other than any savings related share option scheme) is restricted to 5 per cent. of the Company's issued ordinary share capital from time to time.

(viii) *Individual limit on grant of options*

The aggregate exercise price payable for the shares over which outstanding options may be held by any option holder under the Plan shall not at any time exceed the appropriate legislative limit which is currently £100,000.

(ix) *Exercise of options*

(a) Options may be exercised between eighteen months and ten years after their grant with the overall provision that not more than one third of the options can be exercised until 18 months from the date of grant, one third not until 30 months from the date of grant and the balance of one third not until 42 months from the date of grant. Options may

normally only be exercised if the objective performance condition or conditions to be determined by the Remuneration Committee is or are met. Earlier exercise is, however, permitted if the option holder dies or leaves the service of any of the participating companies through injury, disability, redundancy or retirement or where, in certain circumstances, an option holder ceases to be employed by any of the participating companies by reason of his employing company ceasing to be a Group company, or if the undertaking in which he is employed is sold outside the Group, and in any other circumstances approved by the board of directors. Early exercise as required in the event of a takeover, reconstruction or voluntary winding-up of the Company. Except in the case of cessation of employment due to retirement, it is not necessary for any performance conditions attached to options to be satisfied where early exercise is permitted.

(b) Within 30 days of receipt of a notice of exercise, the shares in respect of which the option has been exercised must be allotted and issued by the board of directors, or the board of directors must procure their transfer to the option holder. Such shares allotted on the exercise of an option will rank in full for all distributions declared, made or paid to shareholders on the register on a record date occurring after the date on which the notice of exercise is given to the Company and otherwise will rank *pari passu* in all respects with

(c) the other fully paid issued Ordinary Shares. Following the exercise of an option, the Company will apply to the London Stock Exchange for the relevant shares to be admitted to AIM (if existing Ordinary Shares are already admitted).

(x) *Changes in control etc*

(a) If any company obtains control of the Company as a result a takeover offer or the sanctioning of a scheme of arrangement under section 425 of the Companies Act ("the Act") or if a company has become bound or entitled to acquire all the Ordinary Shares under sections 428 to 430F of the Act, an option holder will be required to exercise his options.

(b) In the event of a capitalisation issue of offer by way of rights or upon any consolidation, subdivision or reduction of capital or any other variation of capital, the number of shares the subject of an option and the exercise price may, subject to the prior approval of the Inland Revenue, be adjusted in such a manner as the Company's auditors shall confirm in writing to be, in their opinion, fair and reasonable provided that the exercise price remains at least equal to the nominal value of an Ordinary Share. If the exercise price would otherwise fall below the nominal value, the Company may capitalise reserves to the extent it is lawful to pay up additional shares for allotment to option holders.

(xi) *Miscellaneous*

(a) No rights under an option may be transferred by an option holder to any other person except in the event of an option holder's death where rights will become exercisable by personal representatives within twelve months of the date of death but no later than ten years after the grant.

(b) The Plan may be amended by the board of directors in any way provided that:

- no amendment may be made which would materially prejudice the interests of option holders in relation to options already granted to them unless the sanction of option holders has been obtained;
- all amendments to the advantage of option holders will require the prior consent of the Company in general meeting unless they are minor amendments to benefit the administration or to obtain or maintain favourable tax, exchange control or regulatory treatment for option holders or the Company, and
- no amendment may be made which might prejudice the obtaining reliefs under the Plan.

(b) *The Unapproved Share Option Plan*

(i) The same basic criteria are used as far as the EMI Scheme save that there is no legislative limit for the value of the options which may be granted.

5. Warrants

The Warrants were created pursuant to the Warrant Instrument and their issue is conditional on Admission. The Directors intend to apply for the Warrants to be admitted to trading on AIM. The Warrants are exercisable at any time before 11 November 2007 (the "Final Exercise Date"). The Warrants that will be in issue on Admission will give the Warrantholders collectively the right to subscribe for 10,000,000 Ordinary Shares at a subscription price of 30p per share. The Warrants are freely transferable. The Warrants may be exercised in whole or in part at any time before the Final Exercise Date. Exercise is by notice in writing lodged at the Company's registered office accompanied by a cheque or banker's draft for the appropriate remittance. The Company is obliged to allot the appropriate number of Ordinary Shares within one month of such exercise notice and, in the case of Warrants in certificated form, despatch definitive share certificates within one month of such exercise notice.

The exercise price of the Warrants is subject to adjustment in the following circumstances: if there is an alteration in the nominal value of the Ordinary Shares; or if the Company issues any Ordinary Shares credited as fully paid up by way of capitalisation of reserves of profits.

If at any time during the period in which the Warrants remain capable of being exercised, an offer is made to acquire the whole or any part of the issued ordinary share capital of the Company, the Company shall procure that the Warrantholder is provided with a like offer as if the Warrants had been exercised in full.

If an order is made or an effective resolution is passed on or before the Final Exercise Date of the Warrants for the mandatory winding up of the Company (except for the purpose of reconstruction or amalgamation), each Warrantholder will be treated as if he had exercised his Warrants immediately before the passing of the said resolution or order and will be entitled to receive out of the assets available in the liquidation, *pari passu* with the holders of the Ordinary Shares, such a sum as he would have received if he had held such Ordinary Shares less the aggregate subscription price of such Ordinary Shares under the terms of the Warrants. Subject to this, the Warrants shall lapse on the liquidation of the Company.

6. Material Contracts

The following contracts have been entered into by any member of the Group, otherwise that in the ordinary course of business, during the two years preceding the date of this document, and are or may be material:

(a) A loan agreement executed on 15 May 2003 between Gemini Oil & Gas Limited ("Gemini") (1), EOGWF (2) and EOG (3) (the "Loan Agreement") as amended by an agreement between the same parties entered into on 7 September 2004. Pursuant to the terms of the Loan Agreement, Gemini agreed to provide EOGWF with a loan of up to US$2.48 million to acquire a 100 per cent. interest in a production licence DL003 in the West Firsby Onshore Oilfield and fund the operation costs associated with drilling and completion of the wells in the area covered by the licence. The loan was paid in three tranches of US$1.3 million, US$1 million and US$180,000. respectively. Pursuant to the terms of the Loan Agreement, Gemini is entitled to receive 65 per cent. of gross revenue generated from the area covered by licence DL003 until such time as the loan interest and the loan repayment (as defined in the Loan Agreement) exceeds the amount of the loan. Thereafter, Gemini shall be entitled to 27 per cent. of gross revenue generated. In the event that EOGWF is in breach of certain obligations set out in the Loan Agreement, Gemini will be entitled to serve notice on EOGWF to assign its interest in licence DL003 to it for the consideration of US$1.

(b) An agreement dated 7 September 2004 made between Gemini (1), EOG (2) and EOGWF (3) in relation to the fact that EOGWF has invested US$645,000 in the West Firsby oilfield ("the Past Costs") and the possibility that all or any of the parties will provide additional funding for further wells on the West Firsby oilfield ("Phase II Funding"). The agreement provides

that any revenue from the West Firsby oilfield will be applied in the following order of priority. For so long as Gemini is entitled to receive 65 per cent. of gross revenue (as described in paragraph (a) above), any further revenue will be used to pay the providers of the Past Costs and the Phase II Funding *pro rata* until such time as Gemini has been repaid the loan interest and loan repayment (as defined in the Loan Agreement). While Gemini is entitled to receive 27 per cent. of the revenue and the providers of the Past Costs and the Phase II Funding have been repaid in full, they will be entitled to receive a further 21 per cent. of the revenue.

(c) A Share Sale Agreement executed on 26 October 2004 relating to the entire issued share capital of EOG between Alpha 2000 Holdings, Dr. Erika Syba, Michael Dursley, Paul Barrett, Paul Smith and Ewen Ainsworth (the "Shareholders") (1); the Company (2); and EOG (3). Pursuant to the terms of the agreement the Shareholders, being the holders of the entire issued share capital of EOG, agreed to sell their shares in EOG to the Company in exchange for the issue of 58,031,998 Ordinary Shares.

(d) The Placing Agreement dated 3 November 2004 between the Company (1); the Directors (2); and Westhouse (3), pursuant to which Westhouse has conditionally agreed to use its reasonable endeavours to procure placees for the Placing Shares at the Placing Price, together with the Warrants. The Placing has not been underwritten and Westhouse is under no obligation to subscribe for the Placing Shares. Under the Placing Agreement, the Company and the Directors have, on a joint and several basis, given certain warranties, representations, undertakings and indemnities in favour of Westhouse. The potential liability of each of the Directors in respect of the warranties and representations which they have given has been capped at certain agreed levels. Westhouse's obligations under the Placing Agreement are conditional, *inter alia* on Admission having occurred not later than 8.30 a.m. on 11 November 2004 (or such later date as may be agreed between the Company and Westhouse but in any event not later than 11 December 2004). Westhouse is also entitled to terminate the Placing Agreement in certain circumstances, including the event of a material breach of the warranties contained in the Placing Agreement. Westhouse is entitled to a commission of two per cent. of the aggregate value at the Placing Price of the Placing Shares together with a further three per cent. of the aggregate value at the Placing Price of the Placing Shares as are placed with placees introduced by Westhouse. In addition, the Company has agreed to pay Westhouse a fee of £200,000 plus VAT on Admission and to enter into an option agreement described in paragraph (e) below.

(e) An option agreement dated 3 November 2004 between the Company and Westhouse whereby the Company granted Westhouse an option to subscribe for up to 600,000 Ordinary Shares (being one per cent. of the issued share capital of the Company following Admission) at the Placing Price between one and five years from Admission. The agreement provides that the terms of the option be adjusted following a reorganisation of the Company's share capital.

(f) An option agreement dated 3 November 2004 between the Company and Peak Associates whereby the Company granted Peak Associates an option to subscribe for up to 600,000 Ordinary Shares (being one per cent. of the issued share capital of the Company following Admission) at the Placing Price between one and five years from Admission. The agreement provides that the terms of the option be adjusted following a reorganisation of the Company's share capital.

(g) A nominated adviser and broker engagement letter between Europa (1) and Westhouse (2) pursuant to which the Company has appointed Westhouse to act as nominated adviser and broker to the Company for the purpose of the AIM rules. The Company has agreed to pay Westhouse an annual fee of £35,000 to act as its ongoing nominated adviser provided the engagement has not been terminated pursuant to the terms of the engagement letter.

7. Litigation

No members of the Group are engaged in any litigation or arbitration and, so far as the Directors are aware, has no litigation or claim pending or threatened against it which has, has had or may have a significant effect on the Company's financial position.

8. Commission Arrangements

Other than the arrangements in respect of the Placing Agreement described in paragraph 6(d) of this Part V, there are no arrangements to pay commission to any other party.

9. Group Structure

At the date of this document the Company has four subsidiaries (all of which are wholly owned), namely EOG; EOGWF; Malopolska Oil & Gas Company Sp.z.o.o. and Europa Nafta Gas Ukriani.

10. Taxation

The following information is intended only as a general guide to the position under current UK law and Inland Revenue practice as at the date of this document for shareholders who are the beneficial owners of Ordinary Shares, resident or ordinarily resident in the UK for tax purposes and who hold their Ordinary Shares as an investment (otherwise than under a personal equity plan) and is not a substitute for the investors obtaining professional advice before buying shares. Its applicability will depend upon the particular circumstances of individual shareholders. The summary is not exhaustive and does not generally consider tax reliefs or exemptions.

(a) *UK Residents*

(i) *Taxation of chargeable gains*

If a shareholder disposes of all or any of the Ordinary Shares acquired under the Placing he or she may, depending on the Shareholder's particular circumstances, incur a liability to taxation on chargeable gains. Individuals, personal representatives and trustees may be entitled to taper relief, which may also reduce the gain chargeable.

The rate of capital gains tax payable by an individual is equal to the higher rate of income tax, currently 40 per cent. where income tax is chargeable at the higher rate (or the higher rate on dividends) in respect of any part of an individual's income for a year of assessment. If no income tax is chargeable at the higher rate (or higher rate on dividends) in respect of his income, but the amount on which he is chargeable to capital gains tax exceeds the unused part of his basic rate band of income tax, the rate of capital gains tax on the excess is equivalent to the higher rate of tax for the year.

The rate of capital gains tax in respect of gains accruing to personal representatives and trustees is equivalent to the rate applicable to trusts and is currently 40 per cent.

Corporation tax is payable on chargeable gains from disposals by a corporate shareholder. The maximum rate of tax is currently 30 per cent. Indexation relief may be available to reduce the gain chargeable.

(ii) *Stamp Duty*

Except in relation to certain categories of person, including market makers, brokers, dealers and persons connected with depository arrangements or clearance services, where special rules apply:

(A) No stamp duty or stamp duty reserve tax will be payable on the issue of the Placing Shares;

(B) The transfer or sale of Ordinary Shares will normally be subject to *ad valorem* stamp duty (rounded up to the nearest £5) at the rate of one-half of one per cent. of the consideration paid. However, if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer, stamp duty reserve tax will be payable, normally at the rate of one-half of one per cent. of the consideration paid.

(iii) *Taxation of Dividends and Distributions*

Under current UK tax legislation, no withholding tax will be deducted from dividends paid by the Company.

An individual shareholder who is resident in the UK for tax purposes and who receives a dividend will be entitled to a tax credit in respect of the dividend and will be taxable on the aggregate of the net dividend received and the tax credit (such aggregate being the "gross

dividend"). The value of the tax credit is currently one ninth of the net dividend (or ten per cent. of the gross dividend"). The gross dividend is treated as the top slice of such individual's income. An individual so resident who is not liable to income tax in respect of the gross dividend will not be able to claim repayment of the tax credit from the Inland Revenue. In the case of an individual so resident who is not liable to income tax at a rate greater than the basic rate, the tax credit will discharge his liability to income tax in respect of the gross dividend and there will be no further tax to pay and no right to claim any repayment of the tax credit from the Inland Revenue. In the case of an individual so resident who is not liable to income tax at the higher rate on dividends (currently 32.5 per cent.) the tax credit will be set against his tax liability in respect of the gross dividend and, accordingly, he will have to pay additional tax at the rate of 22.5 per cent. of the gross dividend, to the extent that the gross dividend falls above the threshold for higher rate income tax.

Subject to certain exceptions a shareholder which is a company resident in the UK for tax purposes will not be liable to UK corporation tax on any dividend received from the Company.

UK pension funds are no longer entitled to reclaim tax credits on dividends paid by the Company. Subject to transitional phasing out, UK charities will not be eligible for payment from the Inland Revenue of the amount of the tax credit attaching to dividends paid by the Company.

Trustees of discretionary trusts and of trusts where dividend income is accumulated are liable to tax, currently at the rate of 32.5 per cent., of the gross dividend receipt. This is a complex area and trustees of such trusts should consult their own tax adviser.

(b) *Non-UK Residents*

Subject to certain exemptions for individuals who are Commonwealth citizens, citizens of the Republic of Ireland, residents of the Isle of Man of the Channel Islands, nationals of states which are part of the European Economic Area and certain others, the right of a shareholder who is not a resident in the UK (for tax purposes) to claim any part of the tax credit will depend upon the existence and terms of any double taxation treaty between the UK and the country in which that person is resident. The tax credit is one ninth of the cash dividend paid.

Persons who are not resident in the UK should consult their own tax advisers concerning their liabilities (in the UK and any other country) on dividends received, whether they are entitled to claim any part of the tax credit and if so, the procedure for doing so, and whether any double taxation relief is due in any country in which they are subject to tax.

Any person who is any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the UK should consult an appropriate professional adviser.

11. Working Capital

In the opinion of the Directors, having made due and careful enquiry, and taking into account the net proceeds of the Placing, the working capital available to the Company is sufficient for the its present requirements, that is for at least twelve months from the date of Admission.

12. Minimum Amount Required to be Raised

The minimum amount which, in the opinion of the Directors, must be raised under the Placing to provide sums required to be provided in respect of the matters specified in paragraph 21(a) to Schedule I of the POS Regulations is £5 million which will be applied as set out below:

		£
(i)	Purchase of property	nil
(ii)	Expenses of the Placing (including commissions)	680,000
(iii)	Repayment of borrowings in respect of (i) and (ii) above	nil
(iv)	Working capital	4,320,000

13. Miscellaneous

(a) The total costs and expenses payable by the Company in connection with or incidental to the Placing and Admission including London Stock Exchange fees, printing and advertising and distribution costs, legal and accounting fees and expenses for procuring placees are estimated to amount to approximately £680,000. The gross proceeds of the Placing are £5 million and the net cash proceeds to the Company of the Placing are expected to be approximately £4.32 million.

(b) No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:

(i) received directly or indirectly from the Company within twelve months preceding the Company's application for Admission; or

(ii) entered into contractual arrangements for (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:

- fees totalling £10,000 or more; or
- securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
- any other benefit with a value of £10,000 or more at the date of Admission.

(c) Save for the Placing and as disclosed in this document, there has been no significant change in the trading or financial position of the Group since 31 July 2004, being the date to which the Accountants' Reports in Part IV are made up.

(d) Save as disclosed, no exceptional factors have influenced the Group's activities.

(e) Save for the Group's various exploration and production licences referred to in this document, the Group is not dependent on patents or other intellectual property rights, licences or particular contracts and which are of fundamental importance to the Group's business.

(f) The Company's accounting reference date is 31 July.

(g) No underwriter is involved with the Placing. No paying agents are involved with the Placing.

(h) Save as disclosed, the Group has no significant investments in progress.

(i) No financial information contained in this document is intended by the Company to represent or constitute a forecast, projection or estimate of profits by the Company nor to constitute publication of accounts by it.

(j) Nexia Audit Limited has given and not withdrawn its written consent to the issue of this document with its name included in it and with the inclusion therein of its reports and references thereto in the form and context in which it is included for the purpose of paragraph 13(1)(g) of the POS Regulations.

(k) Scott Pickford has given and not withdrawn its written consent to the issue of this document with its name included in it and with the inclusion therein of its report and references thereto in the form and context in which it is included for the purpose of paragraph 13(1)(g) of the POS Regulations.

(l) Westhouse Securities LLP has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

14. Documents Available for Inspection

Copies of the following documents will be available for inspection between the hours of 9.00am and 5.00pm, Monday to Friday (excluding UK public holidays) at the Company's registered office from the date of this document until the fourteenth day following Admission.

(i) the Memorandum and Articles of Association of the Company;

(ii) the Accountant's reports prepared by Nexia Audit Limited, copies of which appear in Part IV of this document;

(iii) the Independent Consultants' report prepared by Scott Pickford, a copy of which appears in the Appendix to this document.

(iv) the service contracts for the Executive Directors, referred to on sub-paragraph 2(d) of this Part V;

(v) the letters of appointment of the Non-Executive Directors referred to in sub-paragraph 2(d) of this Part V;

(vi) copies of the material contracts referred to in paragraph 6 of this Part V; and

(vii) the letters of consent referred to in paragraph 13 of this Part V.

Availability of Prospectus

Copies of this document will be available free of charge from the offices of Stringer Saul, 17 Hanover Square, London W1S 1HU and from the Company at its registered office between the hours of 9.00 a.m. and 5.00 p.m., Monday to Friday (excluding UK public holidays) for a period of not less than one month from the date of Admission.

Dated 3 November 2004

APPENDIX

Independent Consultants' Report

Scott Pickford Ltd.
4th Floor, Leon House
233 High St.
Croydon
Surrey
CR0 9XT

To:

The Directors
Europa Oil & Gas (Holdings) plc
No 1 Riding House Street
London
W1A 3AS

The Directors
Westhouse Securities LLP
14-18 Gresham Street
London
EC2 7NN

28 September 2004

Dear Sirs

Scott Pickford was asked by Europa Oil & Gas to review the reserves potential of the oil and gas assets of Europa Oil & Gas and we have given where appropriate post tax values for the remaining proved and probable reserves contained within the producing assets. We have also calculated indicative values for exploration assets. The reserves classification system used in this report follows the 2001 SPE/WPC definitions that are used extensively across the world. The format and content this report also follows the guidelines set out in Chapter 19 of the UK Listing Authority listing rules. The data for this review was sourced from Europa Oil & Gas and consists of their own original material plus that supplied to them by their respective operating partners. We believe that these data represent as recent and comprehensive a dataset as it has been possible to collate. This review reported technical reserves or resources for each asset calculated on a probabilistic basis.

All interpretations and conclusions presented herein are therefore opinions based on inferences from these geological, geophysical, engineering or other data. Scott Pickford has accepted without independent verification the completeness and validity of such data. The value of Europa Oil & Gas lies primarily in its ownership of oil and gas in the ground and prospective resources. All the required technical data including actual production and expenditure data was made available.

The report was compiled during the period August – September 2004 and the effective cut-off date for inclusion of data was 1 September 2004. The effective date for valuation reporting is 9 September 2004 and this report is therefore valid for use for a period of six months from this date (19th February 2005). Should it be required to publish this report at a date later than this then the report must be updated to incorporate all recent data. The report represents Scott Pickford's best professional judgement and should not be considered a guarantee or prediction of future results. In order to fully understand the nature of the information and conclusions contained within this report it is strongly recommended that it should be read in its entirety. Scott Pickford Ltd is an ECL (Exploration Consultants Ltd) group company.

A VALUATION OF THE OIL & GAS ASSETS OF EUROPA OIL & GAS

1. Executive Summary

Europa Oil & Gas has a varied asset portfolio ranging from fields in the later stages of production life through to a number of interesting exploration opportunities. The table presented below gives details of the reserves and value attributed to each key asset. All volumes and value generated are net to Europa Oil & Gas.

1.1 *West Firsby Field UK Onshore (Europa Oil & Gas 100%)*

The West Firsby field is a small oil field located south of Lincoln, which has developed and undeveloped reserves hosted in Carboniferous sands at approximately 1,500 metres depth. The Europa Oil & Gas interest in the West Firsby field is 100% and they are operators. The field was acquired from Tullow and Edinburgh Oil and Gas in May 2003. Europa Oil & Gas drilled a new development well, WF7 in January 2004.

1.2 *Whisby Field UK Onshore (Europa Oil & Gas 75%**65%)*

The Whisby oil field is west of Lincoln and produces from the Carboniferous sands at approximately 1,000 metres depth. Europa Oil & Gas drilled the Whisby-4 well as part of a farm-in agreement. Europa earns 75 per cent. production interest pre-payback and thereafter 65 per cent. for drilling the well. The Whisby area licence which covers the area surrounding the field was not included in the evaluation as Europa Oil & Gas was not aware it would awarded the acreage at the time the report was compiled.

1.3 *Horodok Gas Field Ukraine Onshore (Europa Oil & Gas 70% and operator)*

The Horodok field is a small gas field located in the foredeep of the Carpathians, approximately 30km SW of the town of L'viv. Europa Oil & Gas drilled the Horodok-9 well in 2000 and commissioned the construction of production facilities which started commercial production in September 2002.

1.4 *Southern North Sea: Blocks 41/24 & 41/25 (Europa Oil & Gas 100%)*

A promotion licence was awarded for a two year term in October 2003 over the UK blocks 41/24 & 41/25. The two blocks contain two undeveloped gas discoveries within the Zechstein, and untested gas within the Triassic Bunter formation.

The first of the discovery wells was Well 41/24a-1, drilled in 1969, which flowed at a rate of 15 mmscf/d gas from the Plattendolomite (Z3) with 1,000 bpd of condensate. The appraisal well 41/24-2 flowed an aggregate of 39 mmscf/d with 1,440 bcpd from two Plattendolomite zones. A horizontal well, 41/24-3, was drilled in 1993 with the intention of intercepting as many of the fracture systems as possible. The well only penetrated 115 metres of Plattendolomite, much less than the planned amount of reservoir due to lost circulation and gas kicks. A one hundred hour test on this well flowed at 34 mmscf/d and demonstrated a major pressure decline that has been interpreted as a complete lack of matrix contribution to the flow with the fractures providing the only effective porosity.

1.5 *Brodina EIII-1 Bilca Discovery Romania Onshore (Europa Oil & Gas 28.75%)*

The Brodina Block is situated on the eastern margin of the East Carpathians, on the Ukraine border. The reserves and prospectivity of the block are mainly found within the Miocene gas accumulations both in the foredeep and also within large subthrust structures.

The Miocene gas play has been proved to the south of the block by Romgaz in the Todiresti Field, where the gas sands have been identified by anomalous seismic amplitudes. Several strong amplitude anomalies with positive AVO responses were identified from the 2003 seismic data. One of these seismic amplitude anomaly areas was targeted by the Bilca-1 well in May 2004 and discovered a 10m thick Sarmatian gas bearing sand at a depth of 560m. This sand flowed at rates of up to 6.3 mmscf/d.

1.6 *Holmwood UK Onshore (Europa Oil & Gas 40%)*

The prospect is a 4-way dip palaeo-rollover structure developed in the hanging wall of the Weald basin fault system. The petroleum system in the area is proved by the Brockham oil field immediately to the north.

The structure of the Holmwood prospect is a faulted anticline formed as an extensional rollover into the main bounding fault system of the Weald basin. Evidence from seismic data shows that the main structure initiated in the Jurassic, and continued to develop until the Cretaceous. The Tertiary inversion noted in this region appears to have had little effect on this structure.

1.7 *Brates Block EPI-3 Romania Onshore (Europa Oil & Gas 15%)*

The Costisa prospect is a Four-way dip structure with multiple targets down to 3.5km depth in the south-eastern part of block EPI-3. It is expected that the prospect will be drilled in late 2004 to early 2005.

The Costisa prospects are located beneath the flysch sediments which have been thrusted and folded over the Molasse and Moldavian Platform along the sub-Carpathian Thrust (Sole thrust).

The Molasse comprises mostly undeformed sediments eroded and transported from the main thrust belt. The Sarmatian Prospect is within the Molasse and is essentially a stratigraphic play. The Bardenian Prospect is in a four way closure defined by the top of the anhydrite, which forms the upper horizon of the Moldavian platform.

1.8 *Brodina EII-3 Voitinel Lead Romania Onshore (Europa Oil & Gas 15%)*

In addition to the Bilca play, a large subthrust lead has been identified, named Voitinel. This lead is similar in structural setting as the Costisa prospect reviewed earlier. Europa Oil & Gas intend to drill this prospect following the acquisition of new seismic.

1.9 *Cuejdui EIII-3 (Europa Oil & Gas 28.75%)*

No prospects have yet been mapped on this block, but some high amplitude events have been identified in the Sarmatian sections. The Cuejdui Block has many similarities to the Brodina Block, so that we are confident that a similar level of prospectivity identified in that block will emerge with further exploration studies have been carried out. Therefore it is likely that prospects in this block may have a risked value of around at least US$2.3MM.

1.10 Bacau EIII-4 (Europa Oil & Gas 47.5%)

This block contains the same plays as the Brodina and Cuedjiu Blocks, which are assumed to be gas plays, and there is a well on the block (Bacau-1), which is believed to have tested 2 MMcf/d from Sarmatian sands but never completed. There is a small oilfield (Contesti) in the southeast corner of the block, which produced from an older, mid-Jurassic, sandstone.

Valuing the Becau Block at this stage in exploration is difficult. However, we foresee that it will be shown to contain a similar level of prospectivity to the Brodina and Cuedjiu Blocks, and thus we can envisage that one large prospect (like Voitinel) and two small prospects (similar to East Bilca) may emerge after study. Thus the block will possibly have a similar value to the other Romanian Blocks of US$3.8 MM net to Europa.

1.11 *V.de Munte EPI-3 (Europa Oil & Gas 15%)*

This block is in the early stages of exploration with no prospects or leads that have been mapped.

A valuation is problematic in view of the limited amount of data available. The block is in the same prospective region and setting as the Brodina, Cuedjiu, and Bacau blocks so that a similar amount of prospectivity can be expected. Hence this block could have the equivalent value as these other blocks of around US$1.2 MM net to Europa.

1.12 *Nowy Sacz Area Poland Onshore (Europa Oil & Gas Gross Royalty 2.5%)*

Europa converted a 20 per cent. working interest in four exploration blocks in southern Poland to a 2.5 per cent. gross overriding royalty. Since that time, Ramco have farmed-out the block to RWE-DEA, who in turn have drilled two wells on the Ropa Prospect. Both of these encountered

gas, but they did not test at commercial rates. The group is currently considering whether to drill a third well to target within the interpreted Oligocene package. The initial Ropa well is now considered too shallow to have intercepted the reservoir horizons, see Figure 26 for an illustration of the Ropa-2 well location.

2. Summary of Europa Oil & Gas Assets

The Europa Oil & Gas assets reviewed are summarised in the table below:

Table 1 Summary of Europa Oil & Gas Licence Interests

Area	*Licence*	*Europa Oil & Gas Interest (%)*
United Kingdom	West Firsby	100
	Whisby 4	75*
	Block 41/24 & 41/25	100
	Holmwood	40
Romania	Brodina EIII-1	28.75
	Cuejdu EIII-3	28.75
	Bacau EIII-4	47.5
	V.de Muntes EPI-8	15
	Brates EPI-3	15
Ukraine	Horodok field	70
Poland	Nowy Sacz Area	2.5

*75 per cent. production revenue interest Whisby-4 to payback 65 per cent. thereafter

The location of each of the above assets is shown in figures at the beginning of each relevant section.

Table 2 Summary of reserves and value for the Europa Oil & Gas assets assuming 10 per cent. discount rate

Field	*Country*	*WI (%)*	*Reserves MMboe 1P*	*MMboe 2P*	*MMboe 3P*	*Values (10%) NPV MMUS$ 1P*	*Values (10%) NPV MMUS$ 2P*	*Values (10%) NPV MMUS$ 3P*
Reserves								
West Firsby	UK	100	0.236	0.787	1.197	1.85	10.66	15.50
Whisby	UK	75*	0.118	0.402	0.439	2.21	6.90	7.33
Horodok	Ukraine	70	0.015	0.015	0.015	0.03	0.03	0.03
Totals			0.369	1.204	1.651	4.09	17.59	22.86

*75 per cent. production revenue interest Whisby-4 to payback, 65 per cent. thereafter

Table 3 Summary of contingent resources and value for the Europa Oil & Gas assets assuming 10 per cent. discount rate

Contingent Resources		*WI*	*Low*	*Medium*	*High*	*Values (10%) NPV – Low*	*Values (10%) NPV – Medium*
Horodok	Ukraine	70	0.128	0.980	2.796		3.60
Brodina EIII-1 (Bilca)	Romania	28.75	0.455	0.619	1.085	2.22	3.02
*Blocks 41/24 & 41/25	UK	100	1.380	4.202	8.818		7.98
	Totals		1.963	5.801	12.699	2.22	14.60

* The resources and NPV of Blocks 41/24 & 41/25 are contingent on: a) successful long test on an appraisal well to verify well and reservoir performance, b) successful drilling of a long bilateral well from the shore, and c) a gas price of 25p/Therm being achieved.

Table 4 Summary of prospective resources and value for the Europa Oil & Gas assets assuming 10 per cent. discount rate

Prospective Resources		*WI %*	*Unrisked Prospective Resources MMboe*	**Risked Prospective Resources MMboe*	*Unrisked EMV (10%) Possible Value $MM*	**Risked EMV (10%) $MM*
Brodina EIII-1 (Bilca type)	Romania	28.75	0.93	0.47	8.80	4.40
Holmwood	UK	40	6.40	2.23	45.00	13.90
Brodina EIII-1 (Voitinel)	Romania	28.75	2.92	0.24	18.90	2.30
Brates EPI-3 (Costisa)	Romania	15	7.58	0.80	63.00	4.10
**Cuejdui EIII-3	Romania	28.75	2.26	0.24	19.00	2.30
**Bacau EIII-4	Romania	47.5	3.69	0.39	31.00	3.80
**V.de Munte EPI-3	Romania	15	1.17	0.12	9.90	1.20
**Nowy Sacz Area	Poland	2.5 royalty	3.10	0.16	4.00	0.20
Totals			28.05	4.65	199.60	32.20

* Risked Volumes and EMV includes hydrocarbon type risk & chance of success risk.

** For these licences there are insufficient data for Scott Pickford to estimate more than a conceptual individual field size and value.

3. Description of Reserves and Resources

There now follows a description of each asset in the Europa Oil & Gas portfolio and an explanation of how the reserves have been classified into the proved, probable and possible categories. Proved reserves are those for which there is a high degree of confidence that they will be commercially recoverable under known reservoir conditions and current governmental regulations. Probable reserves are those that are more likely than not to be commercially recoverable under known reservoir conditions and current governmental regulations. Possible reserves are those that are less likely to be recoverable than probable reserves. Full definitions of the different reserve classes are included in the glossary. The reserves have been estimated using probabilistic methods. In all cases the probable and possible reserves quoted are 2P and 3P values are not incremental values and are net to Europa Oil & Gas. STOIIP values are the full field value. 2P reserves are the sum of the proved plus probable categories and 3P reserves are the sum of the proved, probable and possible categories.

Contingent resources are generally defined as those hydrocarbon volumes which have been discovered. However, the contingent resources will require some degree of delineation, they will be short of the reserve status because of being deemed contingent on other factors, e.g. favourable economics, the availability of nearby infrastructure, the development of a key technology etc.

Prospective resources are those which it is estimated may be potentially recoverable from as yet undiscovered accumulations. Prospective resources can be quoted as either unrisked or risked volumes. Risked volumes are calculated by multiplying the unrisked volume by an estimated "Chance of Success" (COS). The COS is the chance expressed as a percentage of a prospect containing any hydrocarbon (rather than being dry).

The base case Net Present Values (NPV) have been calculated assuming an 10% discount rate and an oil price scenario related to Brent of US$40 for 2004, followed by US$35 for 2005, and US$30 thereafter. These base case values are presented together with the asset descriptions in this section. NPVs in parentheses are negative. A number of economic sensitivities including different discount rates and oil price scenarios have been performed and these are presented later in Appendix 2. Appropriate price differentials have been applied to account for variations in crude quality from the various producing assets. NPVs quoted in parentheses are negative. The reserves quoted are economic reserves and hence may be less than the ultimate technically recoverable value as they reflect any economic cut-offs that may have been applied.

3.1 *U.K.*

3.1.1 *West Firsby Field (Europa Oil & Gas 100%)*

The Europa Oil & Gas interest in the West Firsby field is 100% and they are operators. The field was acquired from Tullow and Edinburgh Oil and Gas in May 2003. Europa Oil & Gas drilled a new development well, WF7 in Jan 2004, see Figure 1 for the location of this field.

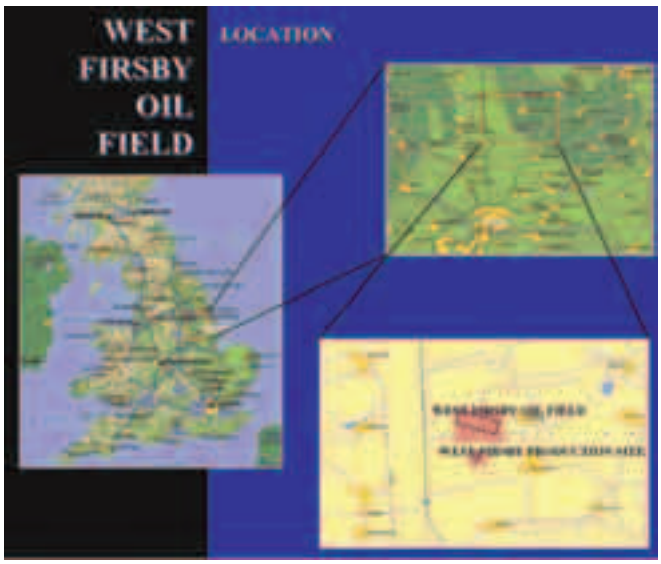


Figure 1 – Location of the West Firsby Field

The West Firsby field is a small oil field located south of Lincoln, which has developed and undeveloped reserves hosted in carboniferous sands at approximately 1500 metres.

Structure

The West Firsby field is located within a hanging wall anticline thought to have been formed in response to strike-slip movements within the shear zone on the Morley-Campsall extensional fault. The field trends NW-SE and is located on the downthrown side of the fault towards the north-eastern margin of the Gainsborough Trough. Additional roll-over and/or inversion effects during the Variscan Orogeny have contributed to the development of the West Firsby anticline. Closure is provided by a combination of dip within the structure and by faulting on the northern, eastern and southern flanks. The western closure is less well defined. Europa Oil & Gas is acquiring additional 2D seismic lines in August 2004. These lines will be concentrated particularly in the west of the field to aid positioning of the WF-8 well. This well is planned for November 2004 and will produce from the western flank of the structure.

The reservoir is composed of Carboniferous age Late Namurian and Westphalian-A sediments, deposited in a marine/deltaic environment grading to fluvial/continental, with facies controlled layering and submergence/emergence cycles. The reservoir is distinctly stratified. Superimposed on this stratification are subtler lateral trends that are controlled primarily by channel dominated sequences. The reservoir is divisible into three major units named zones 1, 2 and 3.

Zone 3 is a sandstone of good reservoir quality, deposited in an upper shoreface environment and overlain by a field wide shale. The overlying zone 2 comprises a series of three channel/channel abandonment sequences, each sub-zone is separated by an extensive shale/coal layer. The youngest zone, zone 1, is separated from the underlying zone by a thick (>50 ft) shale unit. Zone 1 consists of two sub-units, the older one being dominantly a channel to channel abandonment sequence. The younger sub-unit, however, is dominated by mouth bar facies, see Figure 2 West Firsby Zone 2 depth map.

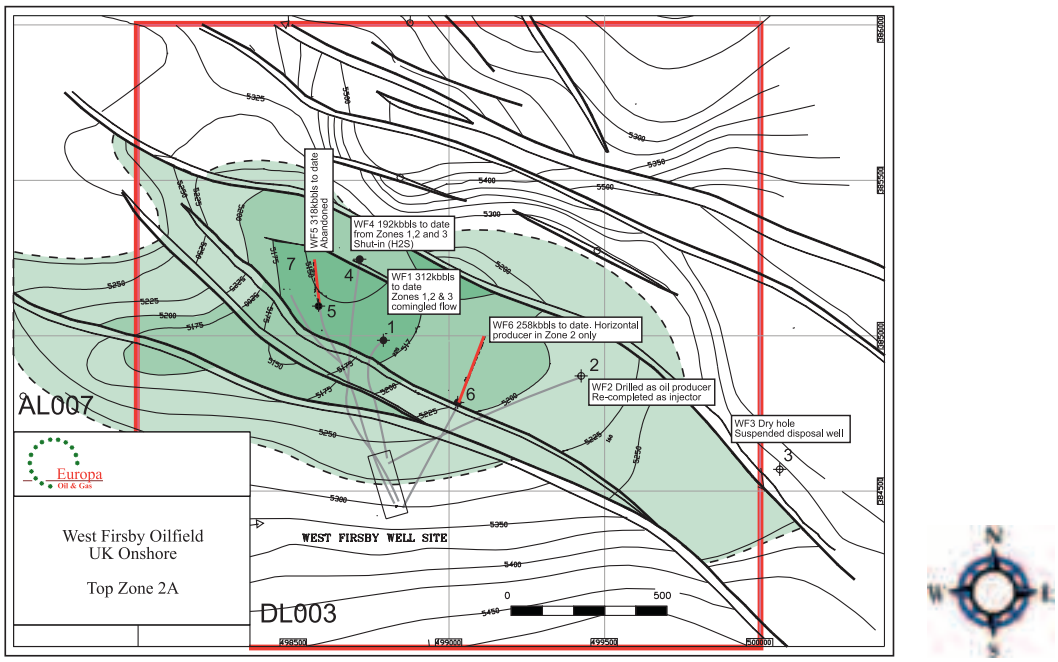


Figure 2 – West Firsby Zone 2 Depth structure map

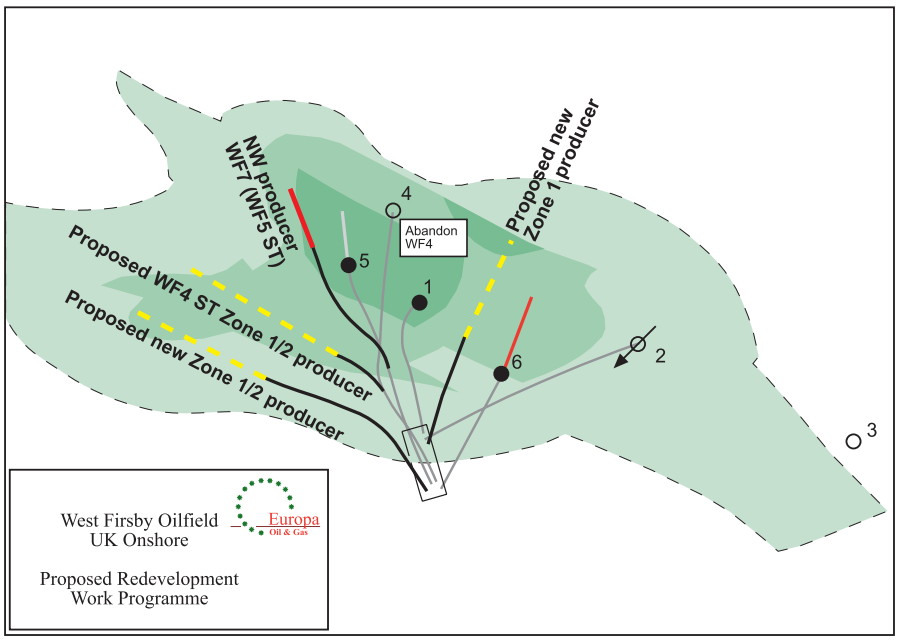


Figure 2a West Firsby Well Locations

The field was producing from three wells, WF-1, 6 and 7 at a total of 145bopd as of June 2004. The wells are produced using a jet pump and produced water is re-injected via WF2. The oil is exported by road tanker.

The new production well, WF7, encountered a lost circulation zone near the top of the zone 2 during drilling, probably because the well intersected an open fault. The well is currently producing at approximately 100bopd with a large water cut (600bwpd). It is highly likely that this fault, or thief zone is acting as conduit for water production. Europa plans to undertake a remedial water shut-off treatment on the well within Zone 2, However, before the remedial treatment is attempted, a new production well is planned for late 2004 to be drilled in the as yet un-produced western area of the filed, this will mitigate the impact of the field development and production if the water shut-off treatment fails.

Reserves Review

STOIIP Parameters	*P90*	*P50*	*P10*
Area (sq-km)	0.50	0.60	0.60
Net Pay (metres)	35.00	40.00	45.00
Average Porosity	0.15	0.15	0.15
Hydrocarbon Saturation	0.70	0.70	0.70
FVF	1.16	1.16	1.16
STOIIP (mmbbls)	9.96	13.66	15.37

Reserves	*1P*	*2P*	*3P*
STOIIP (MMSTB)	9.96	13.66	15.37
R.F. (%)	15	15	16
EUR (MMSTB)	1.498	2.049	2.459
Cum. Production @ 31/7/04 (MMSTB)	1.262	1.262	1.262
Remaining Reserves @ 31/7/04 (MMSTB)	0.236	0.787	1.197

Notes:

1. The 1P reserves include the Proved reserves, which is further split into:
   - 1.1 Proved Developed reserves = 0.086 MMSTB (based on decline curve analysis).
   - 1.2 Proved Undeveloped reserves = 0.150 MMSTB (estimated Well WF-8 reserves, planned to be drilled during November 2004, based on analogy with Well WF-7, and assuming that problems with thief zone will not be encountered in WF-8).
2. The 2P reserves include the Proved + Probable reserves. The Probable reserves consist of recoverable reserves attributable to the higher 2P STOIIP, using the same recovery factor as the 1P reserves. These Probable reserves are expected to be produced through:
   - 2.1 Successful water shut-off operations on Well WF-7
   - 2.2 Drilling an additional producer (WF-9)
   - 2.3 Generally lower production decline rate
3. The 3P reserves include the Proved + Probable + Possible reserves. The possible reserves consist of recoverable reserves attributed to the Possible STOIIP and the higher recovery factor of 16 per cent. These Possible reserves are expected to be produced through:
   - 3.1 Drilling of an additional well (WF-10)
   - 3.2 Generally lower production decline rate

3.1.2 *Whisby Field UK Onshore (Europa Oil & Gas 75%**65%)*

Europa Oil & Gas drilled the Whisby-4 well as part of a farm-in agreement. Europa earns 75 per cent. production interest pre-payback and thereafter 65 per cent.** for drilling the well. The Whisby oil field is west of Lincoln and produces from Carboniferous sands at approximately 1000 metres depth.

See Figures 3 & 4 Whisby location maps. The Whisby area licence which covers the area surrounding the field was not included in the evaluation as Europa Oil & Gas was not aware it would awarded the acreage at the time the report was compiled.

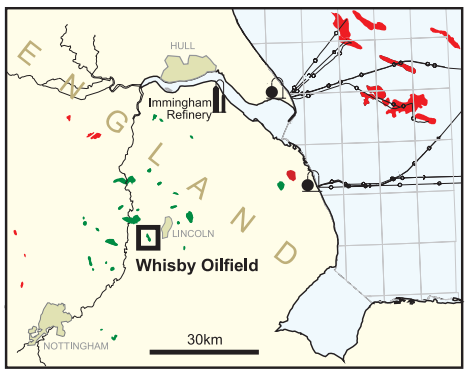


Figure 3 Whisby Location Map

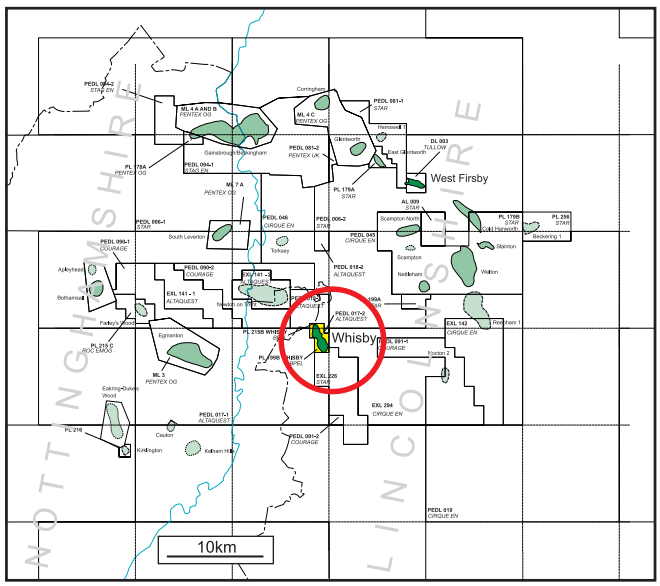


Figure 4 Whisby Block Map

Structure

The structure of the Whisby Field is essentially a horst block forming a closure with approx 60 metres of relief at Dinantian level. This area is thought to have been emergent during the Namurian leading to the deposition of a thin basal Westphalian sand unit that rests discordantly on the Dinantian Limestone. The Whisby wells have proven the early Westphalian Basal Sandstone structural play in the area, although the reservoir thickness is hard to predict and is generally less than 10m thick.

The Whisby-4 well, a horizontal well drilled into the northern part of the field (Figure 5), discovered an additional overlying reservoir unit, the Loxley Edge sandstone of Westphalian-A age. This unit is absent in Whisby-1 and Whisby-2 and only 30cm thick in Whisby-3. The design of this well, as a horizontal well with 2 open-hole side-tracks (Figure 6), makes it difficult to ascertain, with any accuracy, as to the contribution of this unit to overall production. However, whilst drilling the Loxley sand interval it was reported that the well flowed oil due to higher than expected formation pressures, indicating an active hydrocarbon system within the Loxley Edge sandstone. Also, production history to date from the well indicates the well is possibly producing from a significantly larger reservoir volume than previous wells.

Reservoir

The main reservoir in the Whisby field is the Rough Rock (Basal Sandstone). The Rough Rock is a thin sand of Late Namurian or early Westphalian age. The reservoir exhibits lateral thickness changes and appears to be a channel deposit of medium to very coarse grade containing well sorted clean quartz sand. The good reservoir properties are thought to be due to extensive re-working during deposition on the hard underlying limestone. The Loxley Edge sandstone is also a channel sand and wraps around the northern end of the Whisby high. The reservoir properties are equivalent or better than the Basal sands. It is possible that the Loxley sandstone is a new play with additional potential for development in palaeo-lows created by downthrow faults located around the main structure.

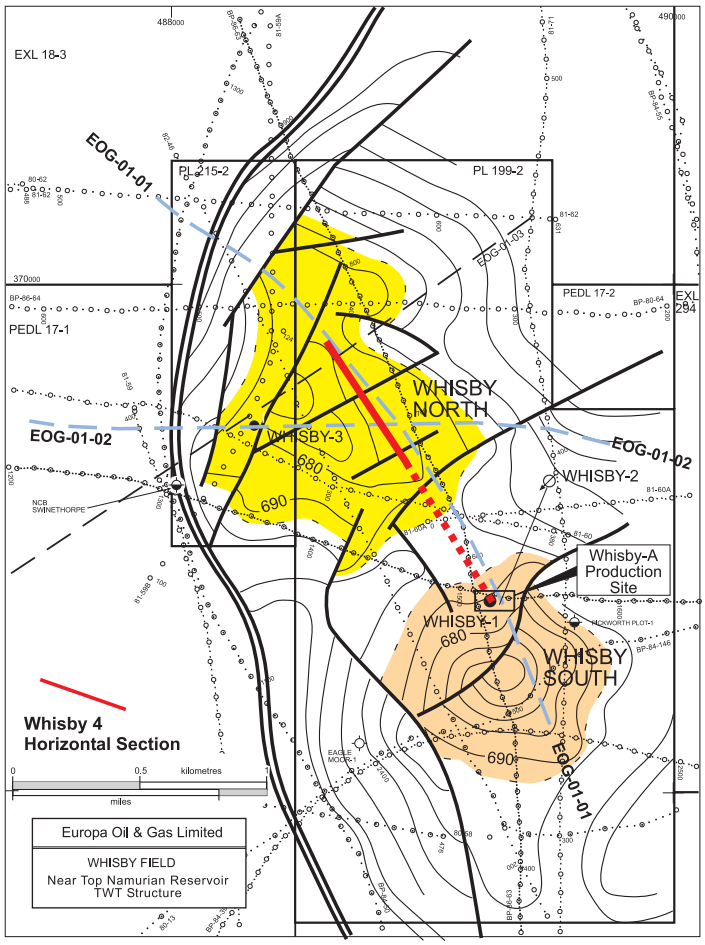


Figure 5 Whisby Structure map.

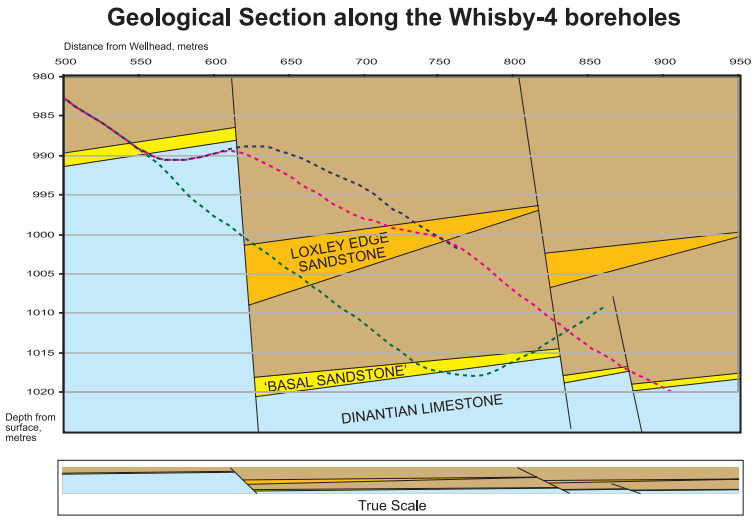


Figure 6 Whisby-4 cross section.

Reserves Review

STOIIP Parameters and Estimation – P50

Basal Sst and Loxley Edge Sst	*North*	*North*	*All*
Area (sq-km)	0.8	0.85	1.4
Net Pay (metres)	2	3.5	3
Average Porosity	0.14	0.16	0.16
Hydrocarbon Saturation	0.8	0.84	0.84
FVF	1.03	1.03	1.03
STOIIP (mmbbls)	1.09	2.44	3.45

Reserves

	1P	*2P*	*3P*
STOIIP (MMSTB)	1.09	2.44	3.45
R.F. (%)	30	30	30
EUR (MMSTB)	0.327	0.732	1.035
Cum. Production @ 31/7/04 (MMSTB)	0.158	0.158	0.408
Remaining Reserves @ 31/7/04 (MMSTB)	0.169	0.574	0.627

Notes:

1. The 1P reserves include the Proved Developed reserves only. These reserves will be produced through the -4Z well.
2. The 2P reserves include the Proved + Probable reserves. The Probable reserves consist of recoverable reserves attributable to the higher 2P STOIIP, using the same recovery factor as the 1P reserves. These Probable reserves are expected to be produced through:
   - 2.1 Lower production decline rate in well -4Z, probably as a consequence of effective contribution to production by the Loxley Edge Sandstone.
   - 2.2 Drilling an additional producer in the North Dome (WS-5)

   The production decline rate of well -4Z in the future will prove or disprove the 2P reserves for this field. If the decline rate is low, in the region of 15-20%, then it is recommended that a further producer drilled in the North dome to allow for the proper depletion of these reserves, in an optimum period of time.
3. The 3P reserves include the Proved + Probable + Possible reserves. The possible reserves consist of recoverable reserves attributed to the Possible STOIIP in the South dome. These Possible reserves are expected to be recovered through an additional well drilled in the South dome.

3.2 *Ukraine*

3.2.1 *Horodok Gas Field (Europa Oil & Gas 70% and Operator)*

The Horodok field is a small gas field located in the foredeep of the Carpathians, approximately 30km SW of the town of L'viv. Europa Oil & Gas drilled the Horodok-9 well in 2000 and subsequently commissioned the construction of production facilities. The field came on production in Sept 2002, see Figure 7 for location.

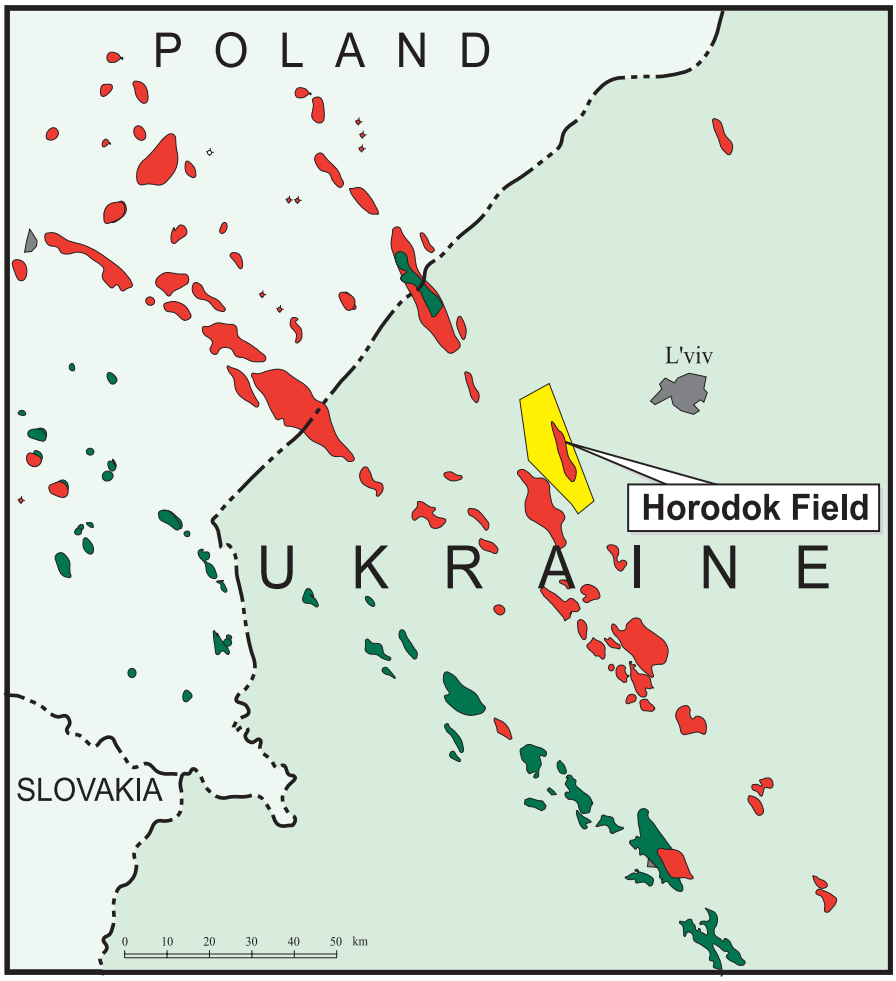


Figure 7 Horodok Gas Field Location

Structure

The Horodok Field is located on the boundary of the Carpathian fore-deep and the platform. The reservoir units onlap and pinch-out against the platform edge forming a relatively simple structure. See Figure 8 for a typical cross section and Figure 9 for a depth map of the BD-13 reservoir horizon.

Reservoir

The Reservoir is made up of Sarmatian sand deposits that form 4 – 6 separate gas or potentially gas bearing units. The Sarmatian sands are relatively shallow at 300-600 metres depth and are generally of medium to low porosity. The proven and probable reserves are hosted within the BD-13, BD-14, ND-1, and ND2 horizons with potential for further gas deposits in the deeper horizons of ND-3 and ND-9 in the south of the field area.

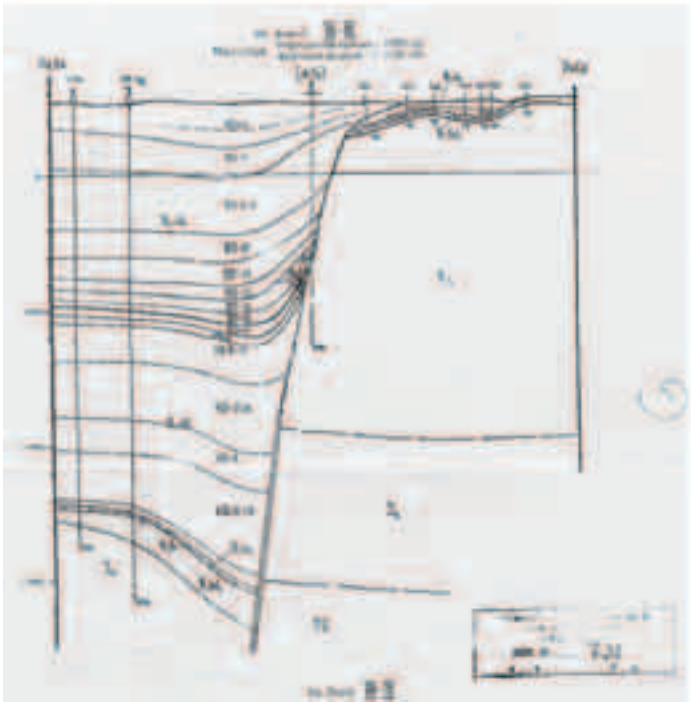


Figure 8 Typical Cross section

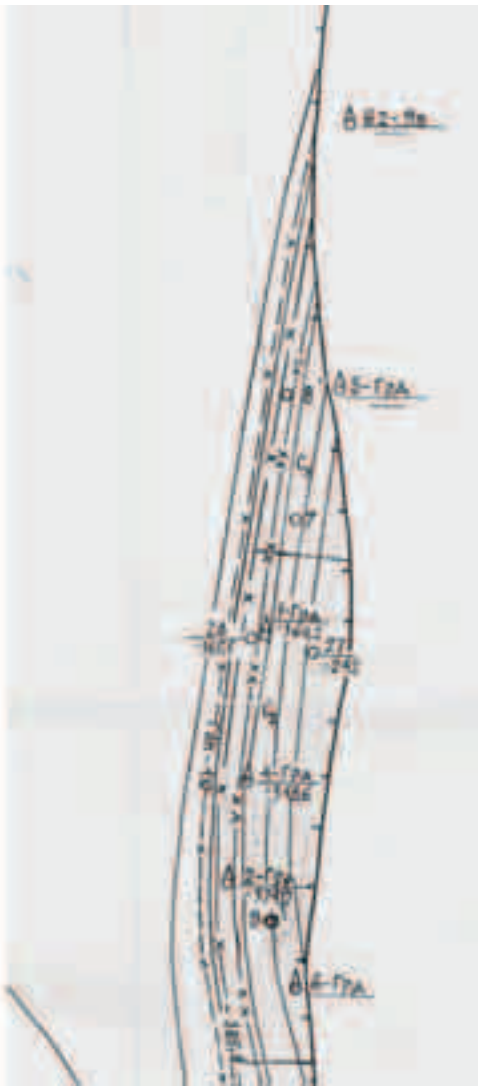


Figure 9 Main reservoir depth map

Resources Review

GIIP

Horizon	*Area (sqkm)*	*Net Pay(m)*	*Porosity*	*Gas SAT*	*Gas Expansion*	*1P*	*2P*	*3P*
BD-13-P1	8.6	8	0.15	0.53	55	10.6		
BD-13-P2	15	8	0.15	0.53	55		18.5	
BD-13-P3	24	8.5	0.15	0.53	55			31.5
BD-14-P1	4	1.6	0.15	0.53	55	1.0		
BD-14-P2	4	1.6	0.15	0.53	55		1.0	
BD-14-P3	4	1.7	0.15	0.53	55			1.0
ND-1-P1	4	2.8	0.16	0.53	62	2.1		
ND-1-P2	13	2.8	0.16	0.53	62		6.8	
ND-1-P3	22	2.8	0.16	0.53	62			11.4
ND-2-P1	3.6	3	0.16	0.53	62	2.0		
ND-2-P2	6	3	0.16	0.53	62		3.3	
ND-2-P3	12	3.4	0.16	0.53	62			7.6
ND-9-P3	6	5	0.14	0.53	65			5.1
ND-3-P4	4	5	0.14	0.53	85			4.5
TOTAL (bscf)						15.7	29.6	61.1

The P3 resources are located either prospective in the south of the block or in deeper sand horizons across the field. The Chance of Success within the prospective areas is estimated to be 33 per cent.

	1P	*2P*	*3P*
GIIP (BCF)	15.7	29.6	61.1
R.F. (%)	10	30	40
EUR (BCF)	1.57	8.88	24.44
Cum. Production @ 31/7/04 (BCF)	.35	.35	.35
Remaining Reserves @ 31/7/04 (BCF)	0.125	0.125	0.125
Remaining Contingent Resources @ 31/7/04 (BCF)	1.095	8.405	23.965

1. The 1P volumes include:
   - 1.1 Remaining reserves of 0.125 BCF estimated to be produced from the existing wells up to end of November 2005, when the current production license expires.
   - 1.2 Proved Contingent resources of 1.095 BCF estimated to be produced through 5 additional high angle wells to be drilled after obtaining the production license extension.
2. The 2P volumes include:
   - 2.1 Remaining reserves as above.
   - 2.2 Proved Contingent resources as above.
   - 2.3 Probable Contingent resources of 7.310 BCF. The total Proved and Probable Contingent resources are envisaged to be produced through 20 high angle producers to be drilled after obtaining the extension to the production license.
3. The 3P volumes include remaining reserves, Proved Contingent + Probable contingent + Possible Contingent resources. The total Contingent resources of 23.965 BCF are envisaged to be produced through 30 high angle producers to be drilled after obtaining the extension to the production licence, some of which to be drilled in the southern extension of Horodok field.

4. Contingent Resources

4.1 *U.K.*

4.1.1 *Southern North Sea: Blocks 41/24 & 41/25: Europa Oil & Gas 100%*

A promotion Licence was awarded for a two year term in October 2003 over the UK blocks 41/24 & 41/25. The two blocks contain two undeveloped gas discoveries within the Zechstein, and also untested gas within the Triassic Bunter formation.

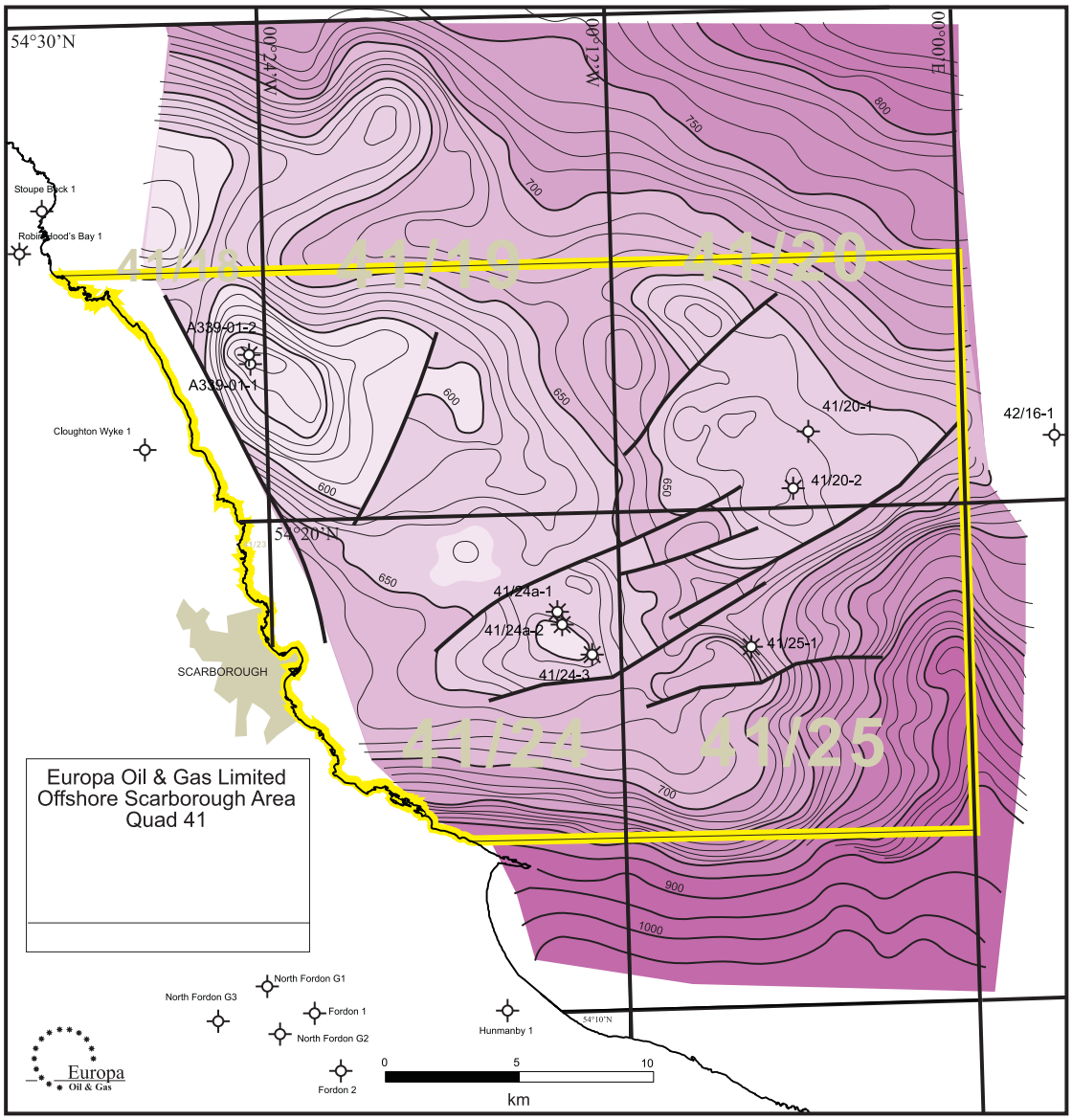


Figure 10 Blocks 41/24 & 41/25 Location Map

Exploration History

Block 41/24

41/24-2 flowed an aggregate of 39 mmscf/d with 1,440 bcpd from two Plattendolomite zones. The first of the discovery wells was Well 41/24a-1, drilled in 1969, which flowed at a rate of 15 mmscf/d gas (plus 1,000 b/d of condensate) from the Plattendolomite (Z3). The appraisal well

A horizontal well, 41/24-3, was drilled in 1993 at an angle of 85 degrees with the intention of intercepting as many of the fracture systems as possible. The well however only penetrated 115 metres of Plattendolomite, much less than the anticipated thickness of the reservoir due to a combination lost circulation and gas kicks. A one hundred hour test on this well flowed at 34mmscf/d and demonstrated a major pressure decline that has been interpreted to correspond to

lack of matrix contribution to the flow. Therefore, it appears that fractures provide the only effective porosity. Analysis of the test data from well 41/24-3 shows that the well was only in communication with a volume of approximately 3.5 bscf of gas.

Also, a small gas column was encountered within the Bunter Sandstone in the 41/24-3 well however the gas was found to contain significant amounts of nitrogen.

Block 41/25

Well 41/25a-1 produced gas from the Zechsteinkalk unit (Z1) at 25mmscf/d, with a lower condensate yield than in Block 41/24, production tests showed early stage depletion, and that the gas was flowing solely from within the fracture system.

Structure

The main structures in Blocks 41/24 & 41/25 lie on the Scarborough shelf. This shelf is a locally uplifted area located on the Cleveland-Sole Pit Inversion axis, an E-W Tertiary age inversion feature, that swings south-eastwards into the main Sole Pit area of the Southern North Sea. It is the interference between this axis and the earlier Variscan inversion that creates the significant structural traps seen on the shelf.

Reservoir

The Z3 Plattendolomite tested gas and associated condensate from three wells on the same structure in 41/24. The Plattendolomite would appear to rely purely on fractures to provide effective porosity in the wells drilled to date. However if there were to be a change in facies this could produce regions where the matrix could support the fracture-based flow. These locations may possibly be identifiable by evaluating thickness variations which in turn could indicate the presence of slope fan deposits with matrix porosity and permeabilities. As therefore the area within structural closure is large a change in facies is possible within the Plattendolomite.

The Z1 of the Zechstein cycle, which contains the Zechsteinkalk appears to have effective porosity only from the fracture system. The Z1 cycle is prone to facies variations in the offshore basinal area over remnant end-Variscan topographic highs. This allows potential patch reef development away from the main shelf and is a promising target for identifying high porosity developments of Zechsteinkalk reservoir. However, the offshore penetrations of the Zechsteinkalk to date do not exhibit shallow water facies development. Hence in order to identify areas with suitable facies, detailed isopach mapping and analysis of sub-Permian palaeo-structures is required.

Bunter Sandstone

The Bunter Sandstone is developed across 41/24 & 41/25 blocks where it displays a fault block geometry controlled by salt movement and structural inversion. This has resulted in the creation of multiple faulted blocks that could form potential hydrocarbon traps. Evidence for fault seal is demonstrated by the presence of a 20m gas column immediately downthrown across a fault and hence deeper than the water-wet Bunter sequence in the 41/24 wells.

Reservoir quality is shown to be good from the well 41/24-3 with porosities in the 18-25% range. However the gas in this location contains 41 per cent. Nitrogen and would require processing before sending to shore in any pipeline. The relatively low level of volumes of the resources and the extra cost of pre-processing make the viability of any commercial development of the Bunter very unlikely.

Despite the presence of multiples evident on seismic data make mapping of the Triassic fault compartments difficult, it is likely that multiple fault-controlled culminations are present above the major fault system that runs ENE-WSW across Blocks 41/24 & 41/25. Additionally an element of transpression due to the oblique nature of this fault to the main Cleveland-Sole Pit Axis may have contributed to the present day structure, see Figure 13 Bunter prospect map.

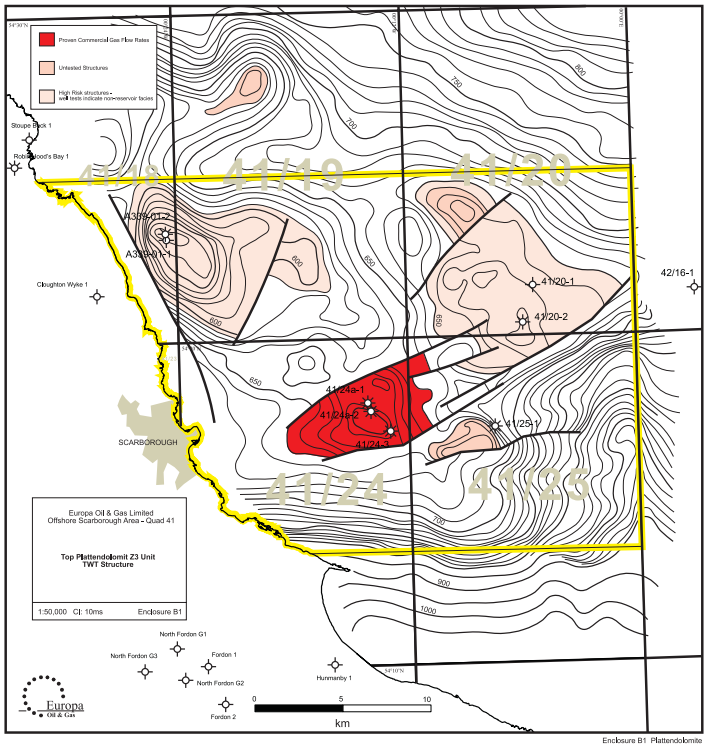


Figure 11 Top Plattendolomit Z3 Structure

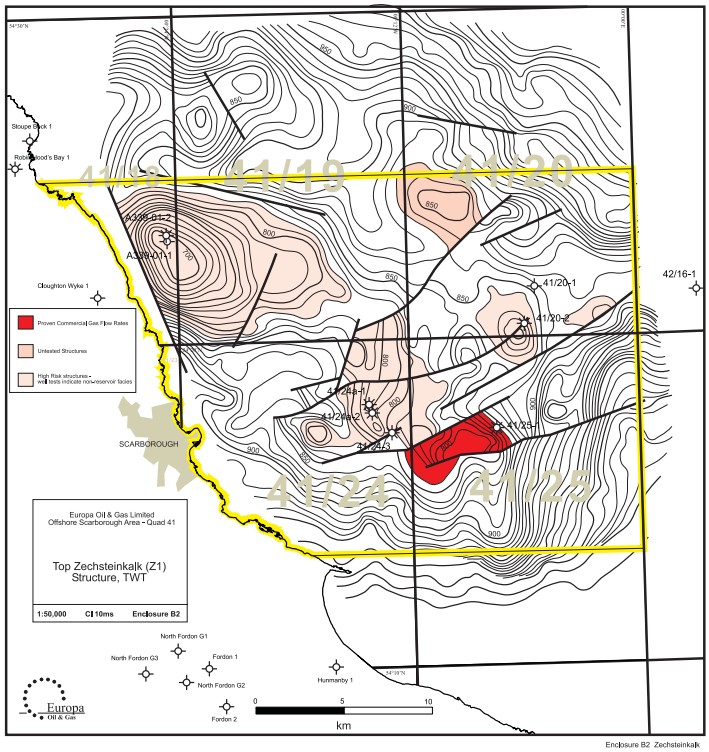


Figure 12 Top Zechsteindolomit Structure map

Figure 13 Bunter Prospect map

Volumetrics

Block 41/24-A Z3 Volumetrics – Gas & Condensate

	ML Values
AREA KM^2	30
Gross Thickness	40
N/G	0.3
Porosity	2%
sat hydro	80%
Bg	230
GIP (bscf)	46.79
Recovery Factor	0.6
REC Gas (bscf)	28.07
Gas Cond ratio (cm/mcm)	0.22
Rec Cond mmbbl	1.10

MONTE CARLO

41/24 Z3 Percentile	*Gas bscf*	*Cond mmbbl*
90%	33.39	33.39
50%	45.95	45.95
10%	61.69	61.69

41/24 Z3 Rec Gas Percentile	*Gas bscf*	*Cond mmbl*
90%	5.00	0.20
50%	15.38	0.61
10%	32.30	1.29

	Gas (bscf)	*Cond mmbbl*
41/24 Z3 P50 Totals	46.0	
41/24 Z3 P50 Recoverable Totals	15.4	0.6

Block 41/25-A Z1 Volumetrics – Gas & Condensate

	ML Values
AREA KM∧2	11
Gross Thickness	40
net reservoir mm(m∧3)	0.3
Porosity	2%
sat hydro	80%
Bg	230
GIP (bscf)	17.15
Recovery Factor	0.6
REC Gas (bscf)	10.29
Gas Cond ratio (cm/mcm)	0.1
Rec Cond mmbbl	0.18

MONTE CARLO

41/25 Z1 GIP *Percentile*	*Gas* *bscf*
90%	11.98
50%	16.85
10%	23.09

41/25 Z1 Gas Rec *Percentile*	*Gas* *bscf*	*Cond* *mmbl*
90%	1.90	0.03
50%	5.57	0.10
10%	11.55	0.22

Block 41/25 Bunter Volumetrics – Gas

	ML Values
AREA KM∧2	4.5
Net Pay	7
net reservoir mm(m∧3)	31.5
Porosity	20%
sat hydro	60%
Bg	150
GIIP (bscf)	20.02
Recovery Factor	0.6
REC Gas (bscf)	12.01

MONTE CARLO

Bunter GIP *Percentile*	*Gas* *bscf*
90%	14.57
50%	19.67
10%	26.13

Bunter Gas Rec *Percentile*	*Gas* *bscf*
90%	8.50
50%	11.68
10%	15.78

	P3 GIP (bscf)
41/25 Bunter P50 Totals	19.7
41/25 Z1 P50 recoverable Totals	11.7
Total GIIP – Nitrogen	6.89

Production Risk

Producing from the fracture dominated Zechstein is problematic with water breakthrough a possible problem. Other problems include severe pressure depletion and loss circulation during the drilling of the horizontal sections through the fractured reservoir. Some of these problems may be mitigated by drilling a long reach horizontal well and employing a casing while drilling strategy to prevent circulation loss. The 41/24-3 well only drilled 100m into the reservoir before drilling problems forced the well to be killed. The 41/24-3 also experienced kicks while drilling the reservoir section suggesting that the fracture system was composed of different domains most probably separated by tight unfractured zones. A long bilateral horizontal well is proposed for the development of this filed. This should be in communication with a larger amount of GIP (Gas in Place) due to its greater length in the pay zone and its ability to intersect many more of the fracture domains. Fracture analysis in terms of density, orientation and distance from major faults will also help with well planning. Identifying changes in facies could be a factor in helping to find better quality reservoir where matrix porosity may make a contribution to production. Such areas could exist within the structural closure, however better quality seismic would be required to define these facies changes.

To further insure against the possibility of a sharp pressure decline early in production it is envisaged that a long term test will be conducted on an appraisal well, employing increasing draw-down pressures has been proposed. It is also envisaged that this well will be produced for some 10 days through test facilities on a rig, and the gas will be vented. This will be followed by a long pressure build-up period. The results of the test would furnish information for planning of permanent production facilities.

The Volumetric calculations of recoverable gas take into consideration these problems and are an estimate of the probabilistic recovery.

The resources in this area have been classified in the Contingent Resources category. There are two prime reasons for this namely, the successful testing (i.e. at a commercially sustainable rate) of an appraisal well and the possibility of drilling a long bilateral well from the shore into Blocks 41/24 and 41/25.

4.2 *Romania*

4.2.1 *Brodina EIII-1 Bilca Discovery (Europa Oil & Gas 28.75%)*

The Brodina Block is situated on the eastern margin of the East Carpathians, on the Ukraine border. The reserves and prospectivity of the block is mainly found within the Miocene gas accumulations both in the foredeep and also within large subthrust structures. Figure 14 shows the location of the Brodina EIII block.

The Miocene gas play has been proved to the south of the block by Romgaz in the Todiresti Field, where the gas sands have been identified by anomalous seismic amplitudes. Several strong amplitude anomalies with a positive AVO responses were identified from the 2003 seismic data. One of these seismic amplitude anomaly areas was targeted by the Bilca-1 well in May 2004 and discovered a 10m thick Sarmatian gas bearing sand at a depth of 560m. This sand flowed at rates of up to 6.3 mmscf/d.

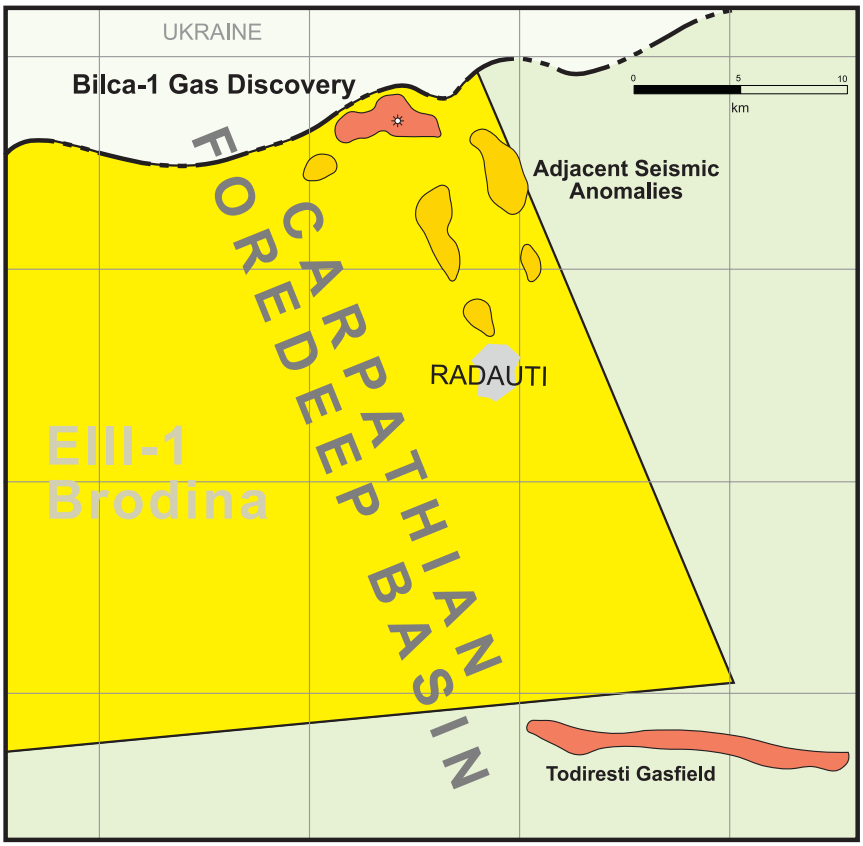


Figure 14 Location of Bilca gas discovery

Flow test analysis on the Bilca-1 well showed that no flow boundary existed within a 1km radius, hence the fault 280m to the west was not a barrier and implies that the whole area indicated by the seismic high amplitudes was most likely to be gas bearing and in pressure communication, see figures 15 & 16. The Bilca sand itself appears to be for the most part an E-W channel feature with isolated amplitude highs distributed along its axis. It is likely that a second Bilca well will be drilled in late 2004.

Other seismic bright spots have been identified within the block and are expected to be drilled following further seismic acquisition. The additional areas where similar seismic anomalies are recognised are viewed as very prospective and it is generally believed that such seismic amplitudes are diagnostic of gas bearing horizons, hence the chance of success of these areas are risked as 50 per cent., see Figure 17.

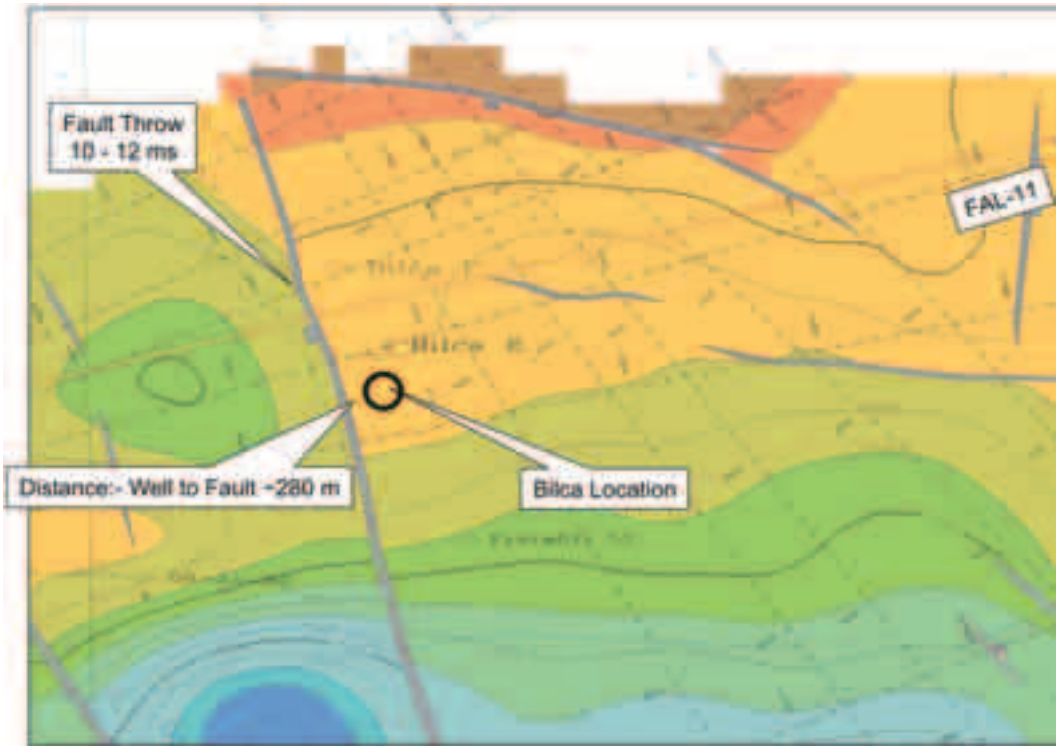


Figure 15 Showing well relationship with fault

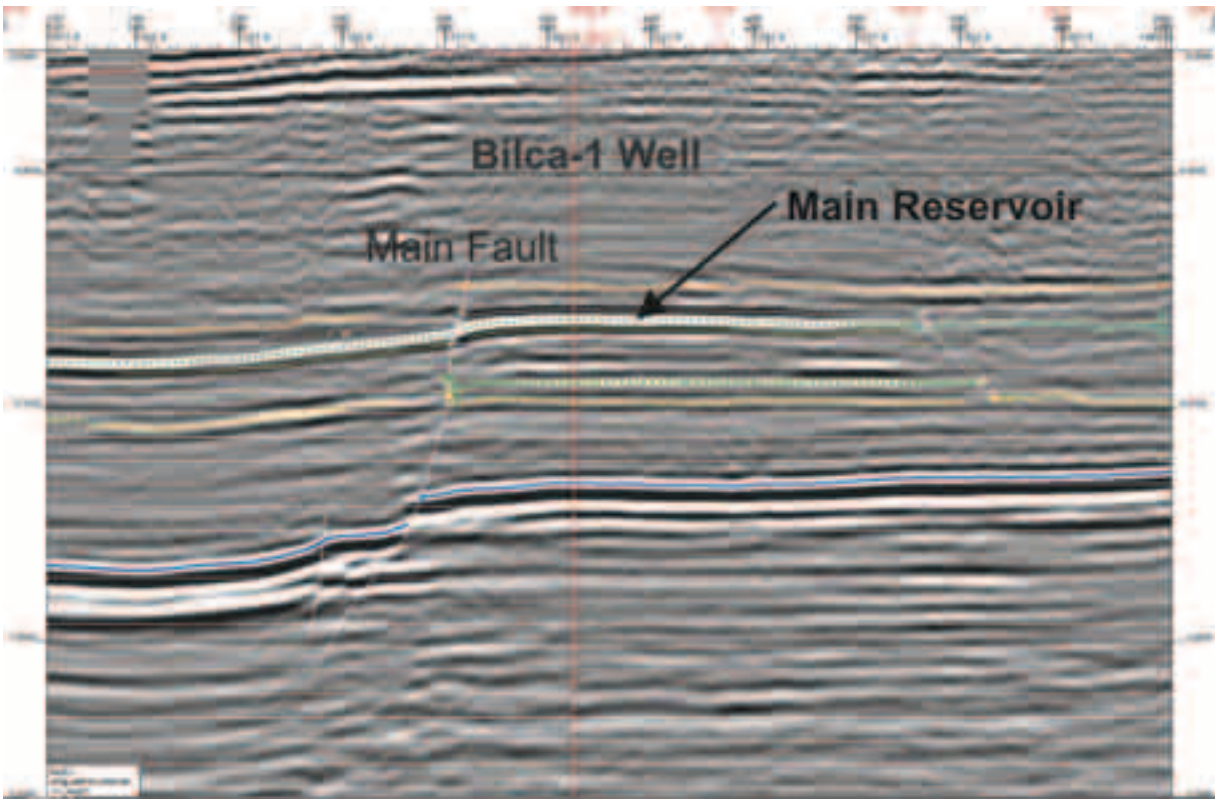


Figure 16 Seismic section across the Bilca discovery

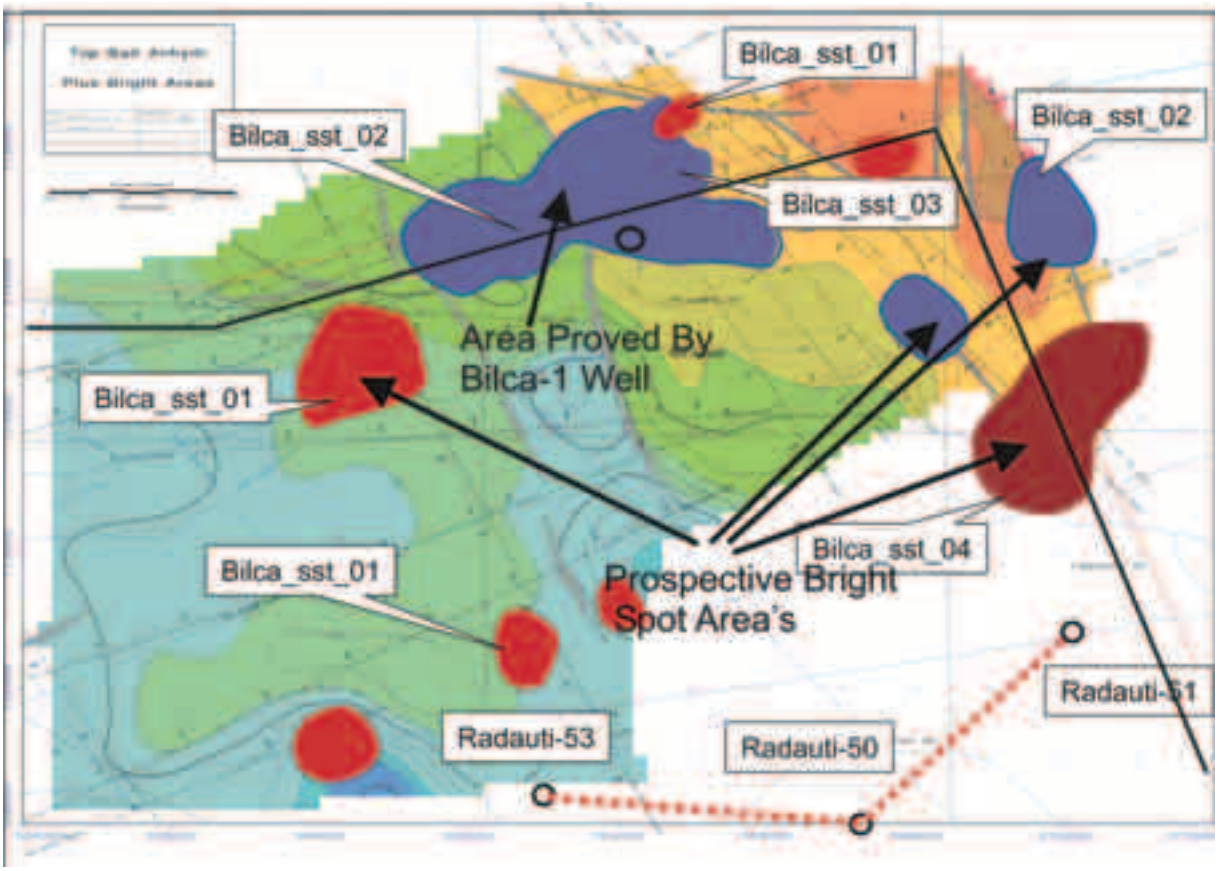


Figure 17 Map of seismic anomalies in the EIII – 1 Block

Bilca Volumetrics

Bilca Volumetrics – Gas

NAME	*P1 &P2 ML Values*	*P3 ML Values*
AREA KM∧2	6.5	12.2
Net Pay	7.9	10
net reservoir mm(m∧3)	51.35	122
Porosity	32%	32%
sat hydro	68%	68%
Bg	45	45
GIP (bscf)	17.76	42.19
Recovery Factor	0.75	0.75
REC Gas (bscf)	13.32	31.64
MONTE CARLO		
Bilca GIP	P1 & P2 Case	P3 case
Percentile	bscf	bscf
90%	12.89	28.43
50%	17.21	43.51
10%	22.90	62.38
Bilca Gas REC	*P1 & P2 Case*	*P3 case*
Percentile	bscf	bscf
90%	9.50	21.19
50%	12.91	32.39
10%	17.47	47.71

	P1 & P2 GIP (bscf)	*P3 GIP (bscf)*
Bilca P50 Gas Totals	17	44
Bilca P50 recoverable Gas Totals	12.912	32.39

5. Prospective Resources

Prospective resources are those, which it is estimated may be potentially recoverable from as yet undiscovered accumulations. Prospective resources can be quoted as either unrisked or risked volumes. Risked volumes are calculated by multiplying the unrisked volume by an estimated "Chance of Success" (COS). The COS is the chance expressed as a percentage of a prospect containing any hydrocarbon (rather than being dry).

The 'Chance of Success' must incorporate the following key risks:

- TRAP (Structure and Seal): The expectation of there being an adequate hydrocarbon trapping mechanism and the trap is effectively sealed.
- RESERVOIR: The expectation of effective reservoir rocks being present.
- CHARGE (Source and Migration): The expectation of there having been a source of sufficient hydrocarbon generated in the system and that this generated hydrocarbon could have migrated into the trap.

The risks incorporate both the presence and effectiveness of these critical factors. Since these three key factors are independent and all three must be present for a successful outcome, the overall 'Chance of Success' is calculated as the product of the three probabilities. If the three key factors described above are each judged to have a 50 per cent. expectation then the 'Chance of Success' for the prospect is 12.5 per cent. being the product of these independent probabilities.

There now follows brief descriptions of the main exploration assets in the Europa Oil & Gas portfolio. The lists of prospects given are not intended to be comprehensive and in many cases include only the top ranking prospects some of which may have been selected as future drilling targets.

5.1. *UK*

5.1.1. *Holmwood (Europa Oil & Gas 40%)*

The prospect is a 4-way dip palaeo-rollover structure developed in the hanging wall of the Weald basin fault system. The petroleum system in the area is proved by the Brocham oil field immediately to the north, see Figure 18 location map.

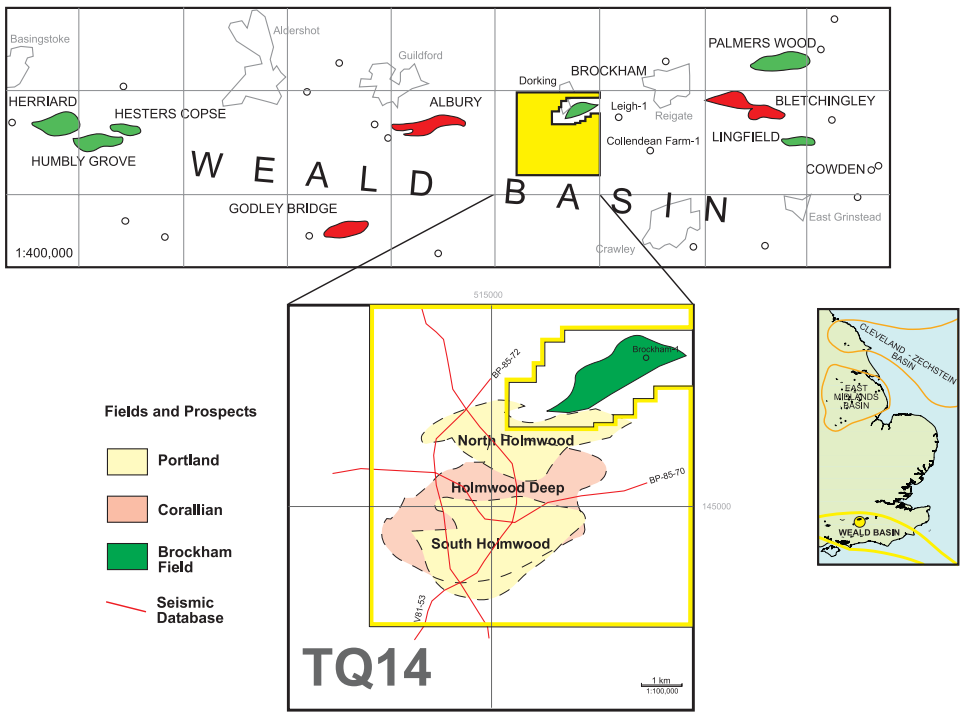


Figure 18 Holmwood Location map

Structure

The structure of the Holmwood prospect is a faulted anticline formed as a extensional rollover into the main bounding fault system of the Weald basin. Evidence from seismic shows that the main structure formed in the Jurassic, and continued to develop until the Cretaceous. The Tertiary inversion noted in this region appears to have had little effect on this structure.

Reservoir

The primary reservoirs are the Portland sandstone sealed by the overlying Purbeck Anhydrite, and the Corallian sandstone which are sealed by the Kimmeridge clay formation. The Portland sandstone drilled at Brockham immediately to the north of the Holmwood prospect showed excellent reservoir qualities. This sand is thought to be a progradational unit originating from the north east and hence this model suggests the probable likelihood of good quality Portland sandstone being developed in the Holmwood area.

Analysis from regional information indicates that Corallian sandstone deposition has some degree of structural control with better quality reservoir rocks being found in a hanging wall setting due to preferential deposition of sands expected as channels/sheets in the palaeo-lows. Therefore the Corallian sands expected at Holmwood are predicted to be of better quality than Brockham which are deposited in a foot-wall setting.

Volumetrics

The most likely volumes for the Portland sands horizon are based on the main enclosure, with potential upside seen within the north and northeast closures, see Figure 19.

The volumes within the Corallian are based on the most likely closing structure as mapped. There is some possibility of upside as the closure could extend east, see Figure 20. Volumetric cases are presented for both oil and gas development scenarios although it is estimated that the likelihood of finding oil rather than gas is 66:34.

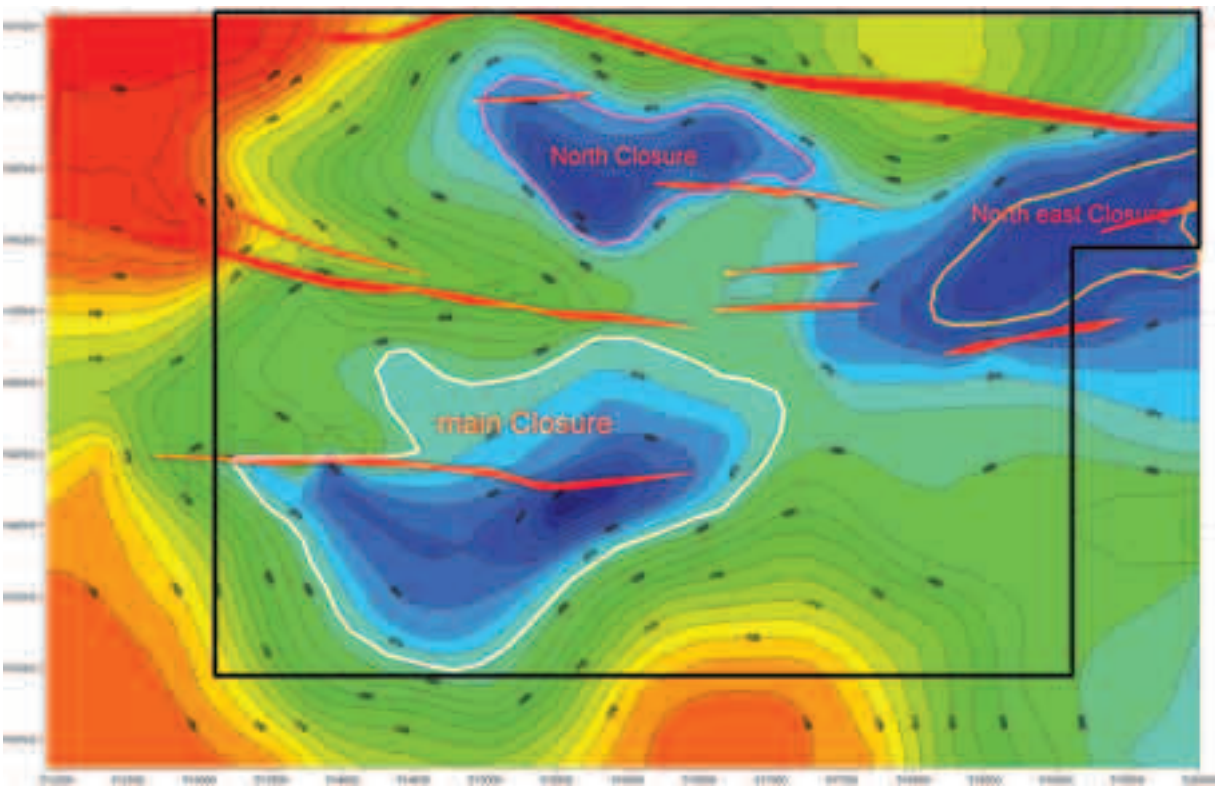


Figure 19 Holmwood Portland Sand Structure Map

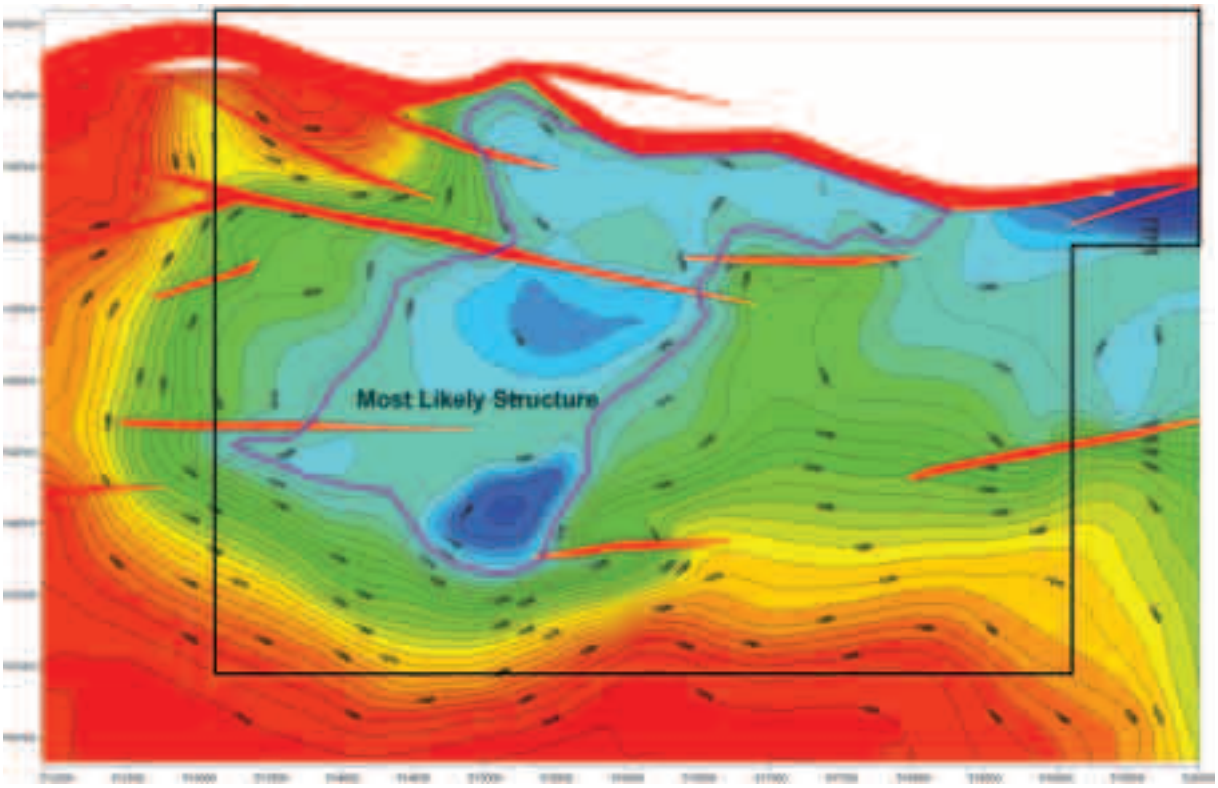


Figure 20 Holmwood Corallian Sandstone Structure map

Holmwood Oil Volumetrics

Holmwood Volumetrics – Oil

Name	*Portland ML Values*	*Corallian ML Values*
AREA KM^2	6.4	7.4
Gross Reservoir thickness (m)	30	20
Gross Reservoir rock Volume	89	75
Net/gross	0.7	0.6
net reservoir (m^3)	62.3	45
Porosity	18%	15%
sat hydro	60%	60%
FVF	1.03	1.14
STOIIP (mmBbls)	41.09	22.35
Recovery Factor	0.25	0.25
REC OIL (MMBbls)	10.27	5.59

Monte Carlo

Holmwood STOIIP Percentile	*Portland MMBbls*	*Corallian MMBbls*
90%	32.52	18.48
50%	42.96	26.36
10%	57.43	37.90

Holmwood Oil REC Percentile	*Portland MMBbls*	*Corallian MMBbls*
90%	7.85	4.54
50%	10.71	6.40
10%	14.67	9.58

	STOIIP (mmbbls)	*Oil REC (mmbbls)*
Holmwood P50 Oil Totals	69	17

Holmwood Prospect Risk Assessment

Reservoir	0.90
Seal	0.90
Charge	0.90
Structure	0.65
COS (chance of success)	0.47
Chance Of Oil 66%	
Chance Of Gas 34%	

Holmwood Volumetrics – Gas

Name	*Portland ML Values*	*Corallian ML Values*
AREA KM^2	6.4	6.4
Gross Reservoir rock Volume	89	75
Net/gross	0.7	0.6
Net reservoir (m^3)	62.3	45
porosity	18%	15%
sat hydro	60%	60%
Bg	105	114
GIP (bscf)	24.95	16.30
Recovery Factor	0.55	0.55
REC Gas (bscf)	13.72	8.97

Monte Carlo

Holmwood GIP Percentile	*Portland bscf*	*Corallian bscf*
90%	19.20	15.12
50%	25.17	18.72
10%	32.18	27.86

Holmwood Gas REC Percentile	*Portland bscf*	*Corallian bscf*
90%	10.60	8.30
50%	13.80	10.30
10%	17.70	15.30

Holmwood P50 Gas Totals	*GIP (bscf)*	*GAS REC (bscf)*
	44	24

Holmwood Environmental Risk

The Holmwood Prospect is located in an area designated by Surrey County Council as a place of outstanding beauty. Permission to drill over the crest of the structure is unlikely to be given without some type of appeal or public enquiry. However, a site close to the south-eastern flank has been identified and this site may be acceptable to the Surrey Council. This site would make it possible to test the crest of the structure with a deviated well. It is likely that ultimately permission will be given for this location to be drilled, however the time scale of granting of such permission is not known.

5.2 *Romania*

5.2.1 *Brates Block EPI-3 (Europa Oil & Gas 15%) Operator Tullow Oil*

The Costisa prospect is a four-way dip structure with multiple targets down to 3.5km depth in the south-eastern part of block EPI-3. It is expected that the prospect will be drilled in late 2004 to early 2005. Figures 21 and 22 show the location of the block and neighbouring fields.

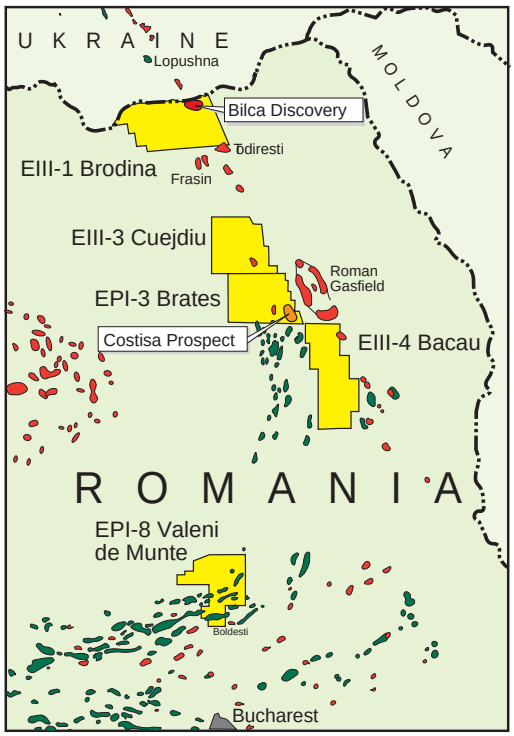


Figure 21 Costisa Prospect Location

Figure 22 Surrounding Fields

Structure

The Costisa prospects are located beneath the flysch sediments which have been thrusted and folded over the Molasse and Moldavian Platform along the sub-Carpathian Thrust (Sole thrust)

The Molasse comprises mostly undeformed sediments eroded and transported from the main thrust belt. The Sarmatian Prospect is within the Molasse and is essentially a stratigraphic play. The Bardenian Prospect is in a four way closure defined by the top of the anhydrite, which forms the upper horizon of the Moldavian platform, see Figure 23.

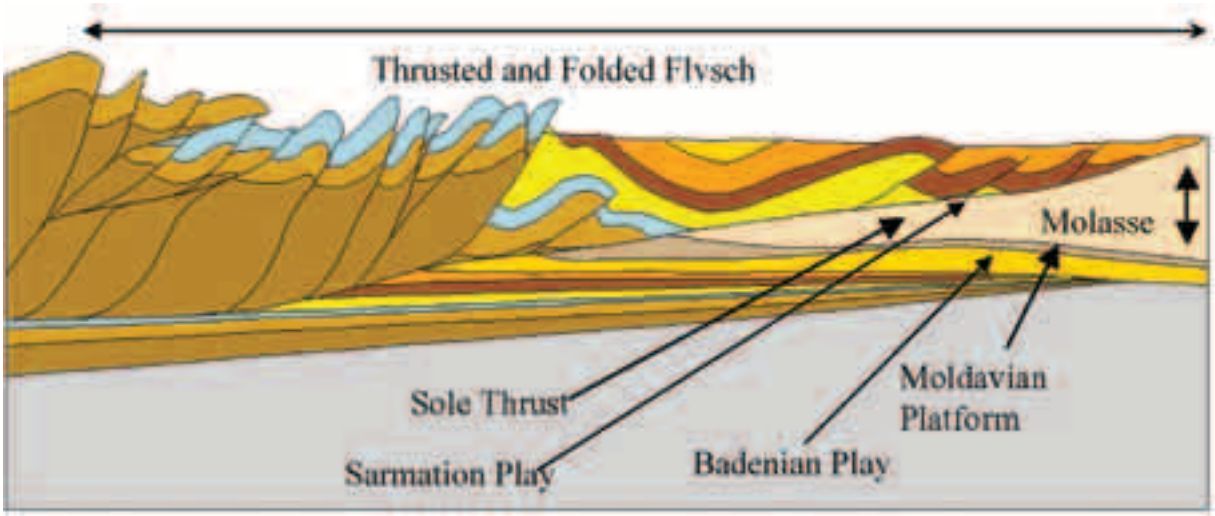


Figure 23 Costisa Cross section

Reservoirs

The primary reservoir target is the Badenian sandstone ("infra-anhydrite") that has been encountered in other wells in the immediate area. Mapping of the Anhydrite, which is easily identified on seismic, shows a four-way dip closure, elongated in a NW-SE direction. The closure of the P50 & P90 levels, is fairly robust. However, some structural doubt due to poor or unavailable seismic coverage to the southeast and north of the P10 closure. The volumetric parameters used are based on comparable sediments encountered in the Frasin and Malin fields to the north, see Figure 24.

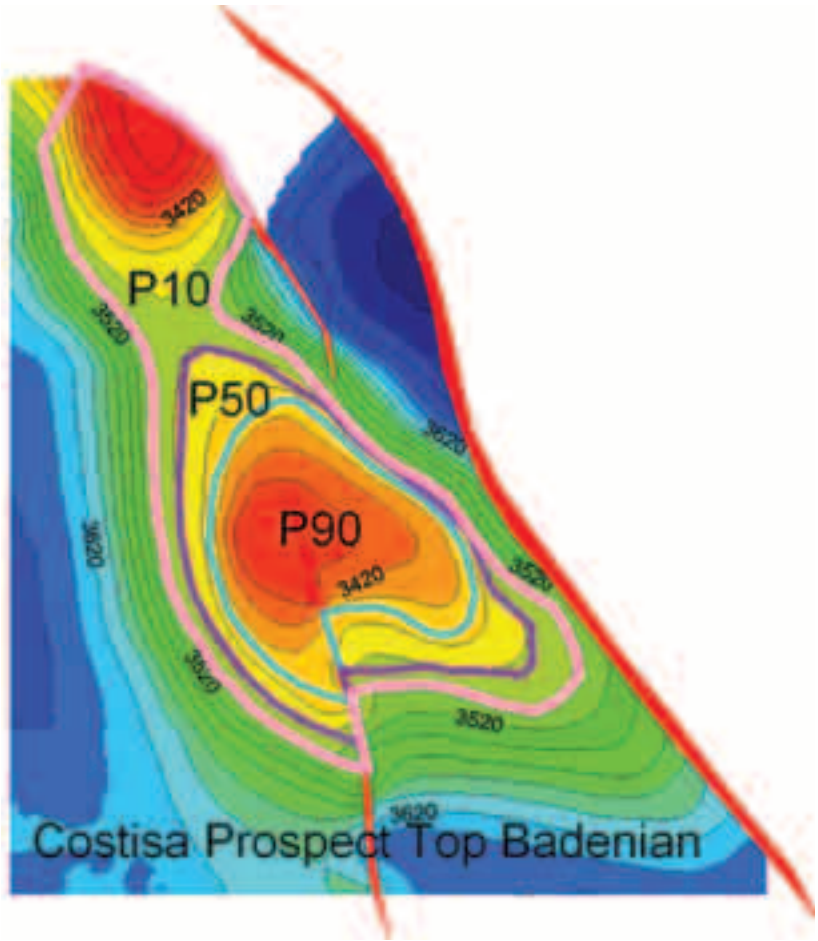


Figure 24 Top Badenian Depth Structure Map

The secondary reservoir target is the Sarmatian sandstones. This unit although not clearly imaged on the seismic surveys is thought to be present between the top Modavian platform and the sole thrust. The Roman fields to the north hosts gas bearing stacked sand units within the same unit. Volumetric calculations are based on the Roman fields for both size and reservoir properties.

Costisa Volumetrics

Costisa Volumetrics – Gas

Name	*Badenian ML Values*	*Sarmatian ML Values*
AREA KM^2	14	6.4
Gross Reservoir rock Volume mm(m^3)	500	61
Net/gross	0.35	1
net reservoir mm(m^3)	175	61
Porosity	12%	19%
sat hydro	66%	69%
Bg	280	246
GIP (bscf)	132.48	70.94
Recovery Factor	0.72	0.72
REC Gas (bscf)	95.39	51.07

Monte Carlo

Costisa GIP Percentile	*Badenian bscf*	*Sarmatian bscf*
90%	83.09	33.67
50%	158.00	63.78
10%	277.41	122.40

Costisa Gas REC Percentile	*Badenian bscf*	*Sarmatian bscf*
90%	57.85	24.04
50%	111.00	46.17
10%	193.42	89.83

Costisa P50 Gas Totals	*GIP (bscf)*	*GAS REC (bscf)*
	222	157

Badenian COS	*Risk %*	*Sarmatian COS*	*Risk %*
Structure	50%	Structure	30%
Seal	80%	Seal	70%
Reservoir	50%	Reservoir	60%
Source & Migration	60%	Source & Migration	60%
COS	12%	COS	8%

5.2.2 Brodina EII-3 Voitinel Lead

Voitinel Lead

In addition to the Bilca play, a large subthrust lead has been identified, named Voitinel. This lead is similar in structural setting as the Costisa prospect reviewed earlier. Europa Oil & Gas intend to drill this prospect following the acquisition of new seismic. Figure 25 shows a structure map for this lead.

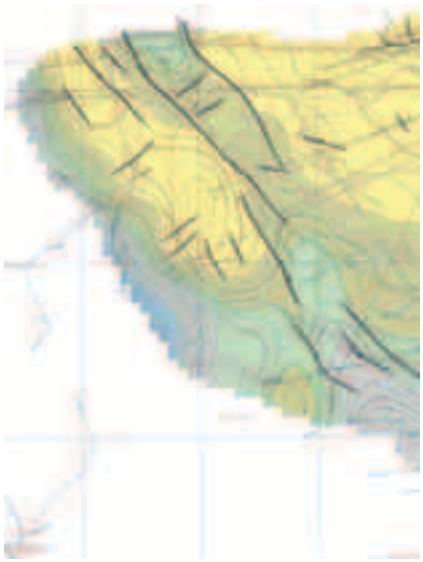


Figure 25 Voitinel structure map

Voitinel Lead
Volumetrics – Gas

NAME	*P3 ML Values*
AREA KM∧2	18
Net Pay	8
net reservoir mm(m∧3)	144
porosity	12%
sat hydro	66%
Bg	150
GIP (bscf)	60.41
Recovery Factor	0.75
REC Gas (bscf)	45.31

MONTE CARLO	
Voitinel GIP	P3 Case
Percentile	bscf
90%	44.38
50%	82.62
10%	145.64
Voitinel Gas REC	P3 Case
Percentile	bscf
90%	31.74
50%	61.19
10%	109.58

	P3 GIP (bscf)
Voitinel P50 Gas Totals	83
Bilca P50 recoverable Gas Totals	61

COS Chance of Success = 8%
Risked P50 GIP = 6.64

5.2.3 Cuejdui EIII-3 (Europa Oil & Gas 28.75%)

No prospects have yet been mapped on this block, but some high amplitude events have been identified in the Sarmatian sections. The Cuejdui Block has many similarities to the Brodina Block, so that we are confident that a similar level of prospectivity identified in that block will emerge with further exploration studies have been carried out. Therefore it is likely that prospects in this block may have a risked value of around at least US$2.3MM.

5.2.4 Bacau EIII-4 (Europa Oil & Gas 47.5%)

This block contains the same plays as the Brodina and Cuedjiu Blocks, which are assumed to be gas plays, and there is a well on the block (Bacau-1), which is believed to have tested 2 MMcfd from Sarmatian sands but never completed. There is a small oilfield (Contesti) in the southeast corner of the block, which produced from an older, mid Jurassic, sandstone.

Valuing the Becau Block at this stage in exploration is difficult. However, we foresee that it will be shown to contain a similar level of prospectivity to the Brodina and Cuedjiu Blocks, and thus we can envisage that one large prospect (like Voitinel) and two small prospects (similar to East Bilca) may emerge after study. Thus the block will possibly have a similar value to the other Romanian Blocks of US$3.8 MM net to Europa.

5.2.5 V.de Munte EPI-3 (Europa Oil & Gas 15%)

This block is in the early stages of exploration with no prospects or leads that have been mapped.

A valuation is problematic in view of the limited amount of data available. The block is in the same prospective region and setting as the Brodina, Cuedjiu, and Bacau blocks so that a similar amount of prospectivity can be expected. Hence this block could have the equivalent value as these other blocks of around US$1.2 MM net to Europa.

5.3 Poland (Europa Oil & Gas Gross Royalty 2.5%)

5.3.1 *Nowy Sacz Area*

Europa converted a 20 per cent. working interest in four exploration blocks in southern Poland to a 2.5 per cent. gross overriding royalty. Since that time, Ramco have farmed-out the block to RWE-DEA, who in turn have drilled two wells on the Ropa Prospect. Both of these encountered gas, but they did not test at commercial rates. The group is currently considering whether to drill a third well to target within the interpreted Oligocene package. The initial Ropa well is now considered too shallow to have intercepted the reservoir horizons, see Figure 26 for an illustration of the Ropa-2 well location.

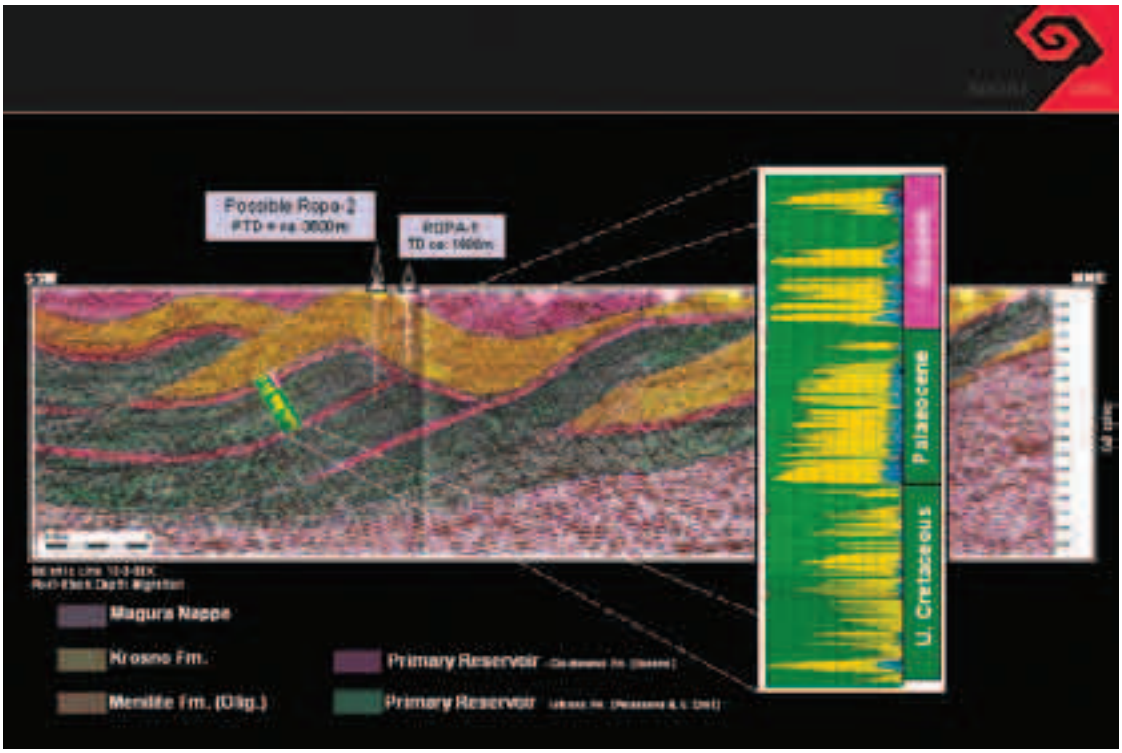


Figure 26 Possible location of Ropa 2 well

ROPA Volumetrics – Gas

NAME	*P2 ML Values*
AREA KM∧2	60
Net Pay	30
net reservoir mm(m∧3)	1800
porosity	15%
sat hydro	70%
Bg	180
GIP (bscf)	1201.42
Recovery Factor	0.6
REC Gas (bscf)	720.85
MONTE CARLO	
ROPA GIP	P2 Case
Percentile	Bscf
90%	671.99
50%	1257.18
10%	2026.03
ROPA Gas REC	P2 Case
Percentile	Bscf
90%	393.54
50%	741.91
10%	1234.35
	P3 GIP (bscf)
ROPA P50 Gas Totals	1257
ROPA P50 recoverable Gas Totals	742
RISK	
Reservoir	0.70
Seal	0.60
Charge	0.40
Structure	0.30
COS (chance of success)	5.04%
Hydrocarbon type Gas 100%	
Risked P50 Recoverable	37.392264
mmboe net to Europa	0.1558011

Professional Qualifications

This valuation was carried out by Scott Pickford Ltd. Scott Pickford Ltd is a consultancy specialising in geology, geophysics, petrophysics, petroleum engineering and economic analyses. Scott Pickford Ltd began undertaking reserves reporting and valuation functions in 1996 and all its personnel involved in such exercises have at the very minimum a first degree in geoscience or petroleum engineering and many have masters degrees or doctorates. All personnel have a minimum of five years relevant valuation experience and in the case of the senior project leaders involved in this exercise this period exceeds ten years. Neil Oates as Head of Valuations is fully authorised by Scott Pickford Ltd to supervise and sign off valuation reports on its behalf. Except for the provision of professional services on a fee basis, Scott Pickford Ltd and its employees has no commercial arrangement with any person or company involved in the interests that are the subject of this report.

Yours faithfully,

Head of Valuations

Neil K. Oates, BSc (Mining Geology, University of Nottingham), Ph.D (Geology Department (Engineering Geology), University of Aston-in-Birmingham). Member of the Petroleum Exploration Society of Great Britain.

Senior Project Engineer

Nawzad Khurshid, BSc (Geology, University of London), MSc (Petroleum Reservoir Engineering, Imperial College London)

Senior Geophysicist

Brian Diamond, BSc (Geology, University of Leeds), MSc (Basin Development and dynamics, Royal Holloway College University of London)

Scott Pickford Ltd

4th Floor, Leon House
233 High Street
Croydon
Surrey
CR0 9XT
UK

APPENDIX

Glossary

Definitions used in this report are as follows.

"/d", "PD"	means per day
"API"	means American Petroleum Institute units of specific gravity of liquid hydrocarbon
"bbl"	means barrel(s)
"bopd"	means barrels of oil produced per day
"DHI"	means direct hydrocarbon indicator
"DSDP"	Deep Sea Drilling Project
"FPSO"	means floating production, storage and offtake vessel
"GOC"	means gas-oil-contact
"GOR"	means gas : oil ratio
"GRV"	means gross rock volume
"GWC"	means gas-water-contact
"Hydrocarbon"	means oil and/or gas and/or condensate
"Kr"	means relative permeability
"Lead"	means a structure that requires further technical appraisal prior to a decision to drill or not
"M", "MM", "B"	means thousands, millions, billions (thousand million) respectively
"mybp"	means millions of years before present
"NPV"	means Net Present Value and is the total present value of a series of cash flows discounted at a specified rate, to a specified date.
"ODT"	means oil-down-to
"OWC"	means oil-water-contact
"P10"	means 10 per cent. probability that value will be equal to or greater than stated value. Note that where indicative STOIIP and reserve volumes are mentioned these are probabilities of volume size *if any hydrocarbons are encountered*
"P50"	means 50 per cent. probability that value will be equal to or greater than stated value. Note that where indicative STOIIP and reserve volumes are mentioned these are probabilities of volume size *if any hydrocarbons are encountered*
"PPL"	Petroleum Production Licence
"Prospect"	means a structure that has been technically evaluated to a state where it is ready to be drilled
"PSC"	Production Sharing Contracts
"PVT"	means pressure – volume – temperature
"RCI"	Formation Pressure Testing Tool (Baker Atlas)

"Reserves"	means potential volume of hydrocarbon that could be commercially produced from a field. Note that all reserves presented in this report are conceptual. Formal reserves cannot be attributed to the prospects at this stage of exploration since the existence of commercially developable hydrocarbon accumulations is conceptual. In all of the prospects there is uncertainty about reservoir presence and quality, hydrocarbon presence and, on the assumption that hydrocarbons are found, their type and the potential well deliverability
"RMS"	means root mean squared
"Sw"	means water saturation (compliment of hydrocarbon saturation)
"s", "scf", "SCF"	means standard cubic feet (of gas)
"SPE"	means Society of Petroleum Engineers
"stb", "STB"	means stock tank barrel(s) measured at 14.7 psia and 60° Fahrenheit
"STOIIP"	means stock tank volume of oil initially-in-place, i.e. prior to production
"TOC"	means total organic carbon
"tvdss"	means true vertical depth sub sea
"Vsh"	means volume of shale
"WPC"	means World Petroleum Congress