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

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

Final Results for the year to 31 July 2012

Europa Oil & Gas (Holdings) plc, the AIM listed oil and gas exploration, development and production company focused on Europe, announces its final results for the 12 month period ended 31 July 2012.

The full Annual Report and Accounts will be available today on the Company's website at www.europaoil.com and will be mailed to shareholders in early November.

Highlights

- Average daily UK production up 18% to 200 boepd (2011: 169 boepd)
- CPR confirms 48.2 mmboe net mean unrisked resource for UK (excluding Holmwood) and Berenx deep in onshore France
- Identified exciting shallow gas play in Béarn des Gaves permit, France

Financial performance

- Revenue up 34% to £5.1m (2011: £3.8m)
- Pre-tax profit before impairment and exploration write-down £1.2m (2011: £0.7m)
- Net loss £11.3m (2011: £0.2m) after exploration write-down of £12.5m in respect of Romania and PEDL150
- Cash generated from continuing operations £2.1m (2011: £0.7m)
- Net cash £0.2m (2011: £1.9m)
- Repaid £1m term loan

Post reporting date events

- Two large prospects identified in Irish South Porcupine Basin
- Holmwood planning appeal in Surrey dismissed, next steps being considered

Europa's CEO, Hugh Mackay said, "I joined Europa last year as CEO as I was attracted to its balanced mix of assets, including UK onshore production as well as highly prospective exploration, notably in onshore France.

"The results of our technical work during the last twelve months have seen us add to the prospectivity of Europa's asset base. To this end, we have identified two sizeable prospects in the Irish Atlantic Margin located in a proven hydrocarbon system, as well as a shallow gas play in France that sits above Berenx, the large gas appraisal project, which has a contingent resource of 277 bcf, as estimated by ERC Equipoise in a CPR (as announced on 1 June 2012). We continue to negotiate with potential partners on both licences as we look to further monetise our asset base and in the process create value for shareholders.

"In the meantime, as a result of the revenues generated from our UK producing assets, we are fully funded to pay our share of drilling costs at either the Wressle or Broughton prospects in the UK early next year, each of which we rate as having a one in three chance of increasing our current production of 200 boepd."

The financial information set out below does not constitute the Company's statutory accounts for the years ended 31 July 2012 or 2011, but is derived from those accounts. The auditors have reported on those accounts; their report was unqualified however the auditors drew attention, by way of emphasis to Note 1 below regarding the renewal of the Group's French exploration permits.

For further information please visit www.europaoil.com or contact:

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Chairman's statement

The year under review has served to highlight the significant benefits of being an oil and gas company focused on Europe with a multistage portfolio of licences, including both production in the UK as well as highly prospective exploration in France and the Irish Atlantic Margin. While adverse macroeconomic conditions have prevailed for much of the last twelve months impacting business activity across a wide range of sectors, Europa's UK producing assets have had an excellent year, averaging over 200 boepd, an 18% increase on last year's 169 boepd. Together with a 10.5% increase in the average oil price achieved over the course of the year, our full year revenues show a 34% increase to £5.1 million.

The wider financial conditions notwithstanding, the £5.1 million in revenues has allowed us to progress what we hope will become our future producing assets further along the development curve. In the UK, we funded our share of costs for acquisition and processing of 49 km2 of 3D seismic survey over our 33% owned PEDL180 and PEDL182 licences. We rate the Wressle and Broughton prospects on the licences as both having a one in three chance of making a commercial discovery which would lead to a material increase in our production. The licences are operated by Egdon Resources and a well is expected to be drilled on one of the two prospects in the first quarter of 2013. Thanks to the strong performance of our UK production, Europa is fully funded to cover its share of drilling costs.

Progress has also been made on our French licences. Earlier in the year, re-evaluation of existing seismic and well data resulted in our in-house technical team identifying a previously unrecognised shallow gas play on the already highly prospective Béarn des Gaves permit in South West France that lies adjacent to the giant gas fields of Lacq and Meillon. This is a significant development for the Company with positive implications for the on-going farm out process for this 100% owned permit.

The prospectivity of the deep gas play in the Béarn des Gaves permit (Berenx Deep) has been known for decades following the drilling of wells in the 1960s and 1970s combined with the existence of historic seismic data. However, at 5,500 metres below the surface, the cost of one well is estimated at €40-50 million which has effectively limited the number of potential partners, an issue exacerbated by the challenging economic climate. By contrast, the cost of drilling the newly identified shallow prospect is considerably lower at €4-5 million and therefore affordable to a much larger pool of oil and gas companies. As a result, our strategy regarding Berenx has changed so that we are now looking to drill and prove up the shallow prospect first, which we estimate holds up to 59 bcf of gas, before addressing the deeper prospectivity. With this strategy in mind, we are in active discussions with regards to farming out Berenx, both shallow and deep.

In October 2011, Europa was awarded two exploration Licensing Options in the Irish Atlantic Margin. The waters around Ireland have been generating much excitement recently following drilling success in the Celtic Sea and upcoming wells offshore West of Ireland. Since acquiring the acreage, our technical team has been busy mapping the two four-block parcels located in the Porcupine Basin which cover an area totalling 2,000 km2. This work has resulted in the identification of two potentially large prospects in the Lower Cretaceous clastic play. Further work is required to mature these prospects to drillable status, however, we are very encouraged by our findings to date. As with our French permits, we are actively seeking to secure a farm-in partner.

During the year, we published the findings of a Competent Person's Report ('CPR') drafted by ERC Equipoise Limited ('ERC'), which provides an independent assessment of Europa's UK and French assets. This was the first time a third party has reviewed the exploration assets and the results are highly encouraging. ERC estimated our core recoverable reserves and potential resources at 48.2 mmboe. While we believe this figure to be on the conservative side, we are happy to accept this as a solid base from which we are confident we can build on as we progress our UK and French prospects along the development curve.

During the period, Hugh Mackay took over as Chief Executive Officer. Hugh is a geologist by profession with over 30 years' experience having held senior posts at BP, Enterprise Oil, The Peak Group, AGR Petroleum and Avannaa Resources. Hugh is responsible for putting together the technical team on whose excellent work I have already commented.

In addition to our exploration licences, the team has been working hard on our UK producing assets with the remit to increase production and where possible extend the life of the fields by implementing a series of initiatives aimed at improving operational efficiency and recovery rates. While it is too early to gauge the long term effects, the results of the work by our operational team on the ground can nevertheless be seen in the 19% increase in year on year oil volumes. We are pleased to have delivered on our forecast production for the year of 200 boepd.

Hugh has also spearheaded an in depth review of our entire asset base, a process that culminated in the commissioning of the CPR. Thanks to the review and CPR, our understanding of the potential of our licences and, by definition, the Company as a whole, has increased considerably. At the very least, the CPR serves as a benchmark in our on-going discussions with potential partners, particularly with regards to Berenx.

Having an asset base at various stages of development is highly beneficial to the Company. As a result of our existing production, our exploration activity in the next twelve months is not wholly dependent on our securing a farm-out deal. As mentioned earlier, we are fully funded to drill a well on PEDL180 or PEDL182 in the UK. In addition, our three producing fields in the East Midlands have been assigned mean recoverable reserves of 0.65 mmbo by ERC. We believe there is scope to build on this but as it stands this third party estimate is nevertheless a valuable asset. Meanwhile, ERC have estimated Berenx Deep has a net mean contingent resource of 277 bcf. Combined, our UK and French assets provide tremendous asset backing to a Company of our size, which underpins our valuation.

The actions taken over the course of the year under review have strengthened my own and the Board's belief in the potential of Europa's asset base and our ability to create substantial value for all shareholders. We recognise it is our task to realise this potential. Drilling is key to the long term development of all oil and gas companies no matter what size they are and, with this in mind, the prospect of commencing drilling in the East Midlands in early 2013 is very much welcome. Subject to the results of this well, we, along with our partners, will consider drilling a follow up. In the meantime, we continue to work hard to move all our licences forward and remain on the look out to add additional projects to our portfolio that meet our investment criteria. Updates on our progress will be provided as and when it is appropriate to do so.

Finally, I would like to thank the management team, directors and advisers for their hard work during the year and also to our shareholders for their support over the last twelve months.

WH Adamson
Chairman

Operational review

United Kingdom

NE Lincolnshire

PEDL180 33.3% (Wressle)
PEDL180 covers an area of 100 km2 of the East Midlands Petroleum Province south of the Crosby Warren field. Europa has an equal working interest share in the block with its partners Egdon Resources & Celtique. The Wressle prospect has estimated mean gross unrisked recoverable resources of 2.41 mmbo. 49 km2 of 3D seismic acquisition covering PEDL180 and PEDL182 has been processed. Drilling at either Wressle or Broughton is targeted for early 2013.

PEDL182 33.3% (Broughton)
To the north, PEDL182 is an area of 40 km2 with the same equity structure as that of PEDL180. The Broughton prospect was previously drilled by BP and flowed oil. Broughton has estimated mean gross unrisked recoverable resources of 1.85 mmbo.

PEDL150 75% (Hykeham)
To the south west of Lincoln, PEDL150 covers 110 km2. Europa has a 75% interest, the balance being held by Valhalla. The Hykeham well was drilled in 2010. Despite encountering potential oil pay, the well failed to flow oil on test. The well results have been comprehensively reviewed and it is clear that failure to flow is due to extremely poor reservoir quality and the well will be plugged and abandoned. The Board has further decided to write-down the carrying value of the PEDL150 block, resulting in an Income statement charge of £2.1 million.

Dorking area

PEDL143 40% (Holmwood)
The PEDL143 licence covers an area of 92 km2 of the Weald Basin, Surrey. Europa has a 40% working interest in the licence with partners Egdon Resources 38.4%, Altwood Petroleum 1.6%, and Warwick Energy 20%. The Holmwood prospect is a Jurassic

sandstone project with a relatively low geological risk profile. It has mean gross recoverable resources of 5.64 mmbo. Europa considers Holmwood to be one of the best undrilled exploration prospects onshore UK.

The prospect lies south of Dorking within the Surrey Hills AONB and an unsuccessful application to construct a temporary exploration well on the site was made in 2011. An appeal to overturn the decision was heard at a public inquiry in July 2012. The appeal was dismissed on 26 September 2012. The partnership is considering future steps with the licence.

United Kingdom – Production (West Firsby (WF) 100%; Crosby Warren (CW) 100%; Whisby W4 well 65%)

The three UK fields produced an average of 200 boepd in the period. The 19% increase in full year oil volumes to 72,360 barrels compared to the previous year is partly a result of the WF-9 well at West Firsby coming on stream. In addition, our operations team has implemented a series of initiatives aimed at improving operational efficiency that have contributed to a reduction in downtime and in turn, a significant increase in the number of barrels recovered during the year.

This strong performance was achieved despite unscheduled downtime in December 2011 caused by a hole in a section of the WF-7 tubing. The workover programme was completed on schedule, keeping the effect of the shut-in on overall production to a minimum.

In connection with our review of assets, the Company considered the potential value in fracking the CW-1 well. A technical review of pressure data recovered from the well in early 2012 indicated that the risks clearly outweighed possible increases in production and it was therefore decided not to frack the well. The Board further decided to record a £785,000 impairment charge against the Crosby Warren assets.

Current 2P producing reserves are estimated at 0.65 mmbo.

United Kingdom – Unconventional resources

Underground Coal Gasification (UCG) 90%

In August 2010, Europa was awarded two licences by the UK Coal Authority to investigate the potential for underground coal gasification ('UCG') of virgin coals located near offshore, along the eastern coast of England. Europa has a 90% interest in the licence with Oxford Energy Consulting Limited holding the remaining 10%.

PEDL181 50% NE Lincolnshire

Europa holds licences covering an area of over 600 km2 in the Humber Basin that have the potential for both conventional oil and gas resources at Caister and possibly also for shale gas resources held in Carboniferous basinal black marine shales known to be 120m thick in the region.

France

Europa holds 100% interests in two permits with both appraisal and exploration potential in the Aquitaine Basin, adjacent to the producing Lacq-Meillon gas fields. The permit renewal process started during the financial year and the Company is actively engaged with the relevant French authorities. We did not fully meet our expenditure commitments in the first phase of either permit, and as a result there is a risk that they will not be renewed. But, based on correspondence received to date from the authorities, we have a reasonable expectation that both permits will be renewed.

Béarn des Gaves 100%
The Berenx appraisal project, located in the heartland of the French oil industry in the Aquitaine basin, has previously been explored and drilled by EssoRep. Two wells, Berenx-1 (1969) and Berenx-2 (1972), both encountered strong gas shows over a 500m thick gas bearing zone. In 1975 Berenx-2 was re-entered, drill stem tested and flowed gas flow to surface. The carbonate reservoir is similar to the nearby 9 tcf Lacq Field and 2 tcf Meillon Field.

Europa possesses all data connected to both wells. Good quality 2D seismic exists for the licence as well as a reprocessed 3D seismic dataset covering the area between Berenx and Lacq. Europa's technical work indicates that the original Berenx wells were drilled on the western edge of a sizeable structure which could hold in excess of 500 bcf of recoverable gas resources. In the recent Competent Person's Report, ERC Equipoise estimated gross mean unrisked resources of 277 bcf for the deep Berenx gas play. The difference between Europa's and ERC's assessment of resources reflects the confidence of each party in mapping in a geologically complex terrain, Europa was able to map a larger area of closure and as a consequence larger resources.

The project also benefits from being located only 20 km from the Lacq Field, which potentially provides a straightforward export route, allowing gas to be processed in an existing facility with spare capacity.

Re-evaluation and interpretation of existing seismic and well data on the permit has resulted in the identification of a previously unknown shallow gas play. Previous exploration on the concession had focused only on deep lying gas prospects.

In the CPR, ERC Equipoise suggested gas in place at Berenx shallow of 75 bcf. Europa estimates gross mean unrisked gas resources of 59 bcf. We have identified new shallow prospectivity in the permit area and information about these additional prospects will be released in due course.

Current activity on the licence is focused on undertaking a detailed structural analysis and geological modelling which will provide a predictive model for the orientation and density of fracture systems in the carbonate reservoirs.

Our strategy for the Béarn des Gaves permit is to target the shallow gas play and drill a well to deliver a commercial flowrate and, on the back of success, to further explore shallow prospectivity and undertake work to de-risk the Berenx deep appraisal project.

Tarbes Val d'Adour 100%
The Tarbes Val d'Adour permit contains several oil accumulations that were previously licensed by Elf but were abandoned in 1985 due to low oil prices. Two fields, Jacque and Osmets, were drilled using vertical wells which generated modest production. At its peak in 1982, Osmets produced up to 50 bopd while peak production at Jacque reached almost 30 bopd in 1981. Europa commissioned the French Geological Survey to map the potential re-development area of the Osmets and Jacque fields from a reprocessed 2D data set. This work is now complete.

Europa intends to farm out this permit and, with a partner, drill a re-development well on one of these fields in 2013.

Ireland

Exploration

Porcupine Basin LO 11/7 and LO 11/8 (100%)
In October 2011, Europa was awarded two exploration Licensing Options 11/7 and 11/8 in the Irish Atlantic Margin licensing round. These cover two four-block parcels in the South Porcupine Basin situated off the west coast of Ireland with a total area of approximately 2,000 km2. Previous drilling in the North Porcupine basin led to the discovery of Connemara, Spanish Point and Burren, providing evidence for the existence of a viable petroleum system. Burren in particular flowed ~700 bopd from a Lower Cretaceous sandstone reservoir. We have identified two large stratigraphic traps at prospects Mullen and Kiernan in Lower Cretaceous submarine fan systems similar to those that have been proved to be successful elsewhere along the Atlantic Margins.

The areas are situated on the flanks of the South Porcupine Basin in water depths of between 700 metres and 2,000 metres. There are modest work programmes attached to the licences over a two year period requiring reprocessing and interpretation of seismic data, and, subject to approval of the Irish Government, an option to convert into a 15 year Frontier Exploration Licence with associated obligations to undertake seismic and drilling operations.

Since acquiring the licences, the Company's in house technical team has been working to map the prospectivity of the Licencing Options with a view to securing a farm-out.

Romania

At the beginning of the year, the Company held interests in four exploration licences in Romania.

In January 2012, Europa announced its decision to withdraw from one of these, the Brodina licence (Europa 28.75%) in northern Romania, following the unsuccessful Horodnic-1 appraisal well which failed to indicate the presence of potentially hydrocarbon bearing intervals. The withdrawal from the concession resulted in a write-off of previously incurred drilling and other exploration expenses of £4 million.

In March 2012 Europa, with its partners Aurelian and Romgaz, announced the withdrawal of its involvement from the Cuejdiu licence (Europa's interest having been 17.5%). As with all its licences, an extensive review of the Cuejdiu concession both in isolation and within the context of the Company's portfolio as a whole had been undertaken. This involved a detailed technical and commercial evaluation of all aspects of the licence including the prospectivity of the project, anticipated costs attributable to Europa's continued participation, associated commitments, timetable and geologic risk. The result of this analysis led to the Company's decision to withdraw resulting in a write-off of previously incurred drilling and other exploration expenses of £1.3 million.

Europa has interests in two further concessions in Romania, Brates (100%) and Bacau (19%). The Bacau licence is operated by Raffles Energy and a review of existing data is currently underway. The Company is looking to farm out its 100% interest in the Brates licence. The Company has elected to write-off £5.1 million previously incurred drilling and other exploration expenses in the Brates and Bacau licences, making a total Romanian write-off of £10.4 million.

In September 2011, the Company was notified by the Romanian tax authorities that the sum of £0.6 million (including penalties) is payable in settlement of a VAT liability triggered by the sale of the Company's Bilca Gas field in 2007. Europa vigorously disputes the legal basis for the VAT liability. In July 2012 the Romanian authorities reduced the liability to £0.4 million. Europa will continue to appeal the decision with the objective of having the VAT liability reduced to zero and Europa's VAT claim of £0.2 million repaid by the Romanian authorities.

Sahrawi Arab Democratic Republic

Exploration

Bir Lehlou and Hagounia (100%)
Europa holds interests in the Bir Lehlou and Hagounia blocks of the Sahrawi Arab Democratic Republic. The 100% interest in the licences covers almost 80,000 km2 of exploration acreage and crosses the Tindouf and Aaiun basins. The concession has significant potential for both conventional and unconventional gas resources, specifically shale gas. The Tindouf Basin is geologically similar to the prolific Algerian Palaeozoic basins. Meanwhile, the Aaiun Basin is an Atlantic margin basin similar to that developed along the West African margin.

Conclusion

In the last twelve months Europa has conducted a detailed technical review of its entire exploration, appraisal and production portfolio. As a consequence of this work we have identified an exciting new shallow gas play in our Béarn des Gaves permit in France and confirmed Berenx Deep as a gas appraisal project with mean gross contingent resources of at least 277 bcf. In May we delivered a CPR to the market providing clarity on the risk and value in our UK and French assets. We have identified two new and potentially very large prospects in the South Porcupine Basin offshore Ireland. Whilst at the high risk and high reward end of the exploration spectrum they are part of the Lower Cretaceous clastic play that has proved very successful elsewhere in the Atlantic Margin and further work will be undertaken to de-risk the prospects.

We chose to exit the Brodina and Cuejdiu licences in Romania and will continue to rationalise our portfolio on the basis of the technical and commercial case. In July we mounted a very strong planning appeal for the Holmwood exploration well, a prospect that we regard as the best undrilled exploration prospect in onshore UK. Though the appeal was dismissed by the planning inspector, we continue to believe our case is strong and we are considering our options. Our UK production had an excellent year generating £2.1 million cash to the Company and I am delighted to report that we delivered on our production promise of 200 boepd.

The next twelve months will see at least one exploration well drilled in PEDL180 or PEDL182 in the UK with the possibility of a follow up exploration well contingent on success. We are seeking to joint venture our Irish and French assets. In particular we wish to test the shallow gas play in the Béarn des Gaves permit as a matter of priority as we believe the Aquitaine basin has the potential to provide rapid commercialisation of any gas discovery. Offshore Ireland is beginning to receive renewed interest from the upstream oil industry, we have prime acreage in an exciting play and we wish to accelerate the process of de-risking our prospects and taking them to drillable status. It is also our intent to add new opportunities to our portfolio. Europa is in the deal flow and additional projects will be added in due course. We will work our UK producing assets hard and continue with initiatives to reduce opex, augment production and hit our production targets.

HGD Mackay
CEO

The financial information set out below does not constitute the Company's statutory accounts for the years ended 31 July 2012 or 2011, but is derived from those accounts. The auditors have reported on those accounts; their report was unqualified however the auditors drew attention, by way of emphasis, regarding the renewal of the Group's French exploration permits.

Consolidated statement of comprehensive income

For the year ended 31 July	Note	2012 £000	2011 £000
Revenue		5,080	3,766
Other cost of sales		*(2,692)*	*(2,216)*
Exploration write-off	1	*(12,451)*	-
Impairment of producing fields		*(785)*	*(425)*
Total cost of sales		(15,928)	(2,641)
Gross (loss) / profit		(10,848)	1,125
Administrative expenses		(755)	(646)
Finance income		-	1
Finance expense		(452)	(189)
(Loss) / profit before taxation		(12,055)	291
Taxation credit / (charge)		739	(523)
Loss for the year from continuing operations		(11,316)	(232)
Discontinued operations			
Loss for the year from discontinued operations		-	(788)

Loss for the year attributable to the equity shareholders of the parent	(11,316)	(1,020)
Other comprehensive (loss) / income		
Exchange (loss) / gain arising on translation of foreign operations	(36)	8
Total comprehensive loss for the year attributable to the equity shareholders of the parent	(11,352)	(1,012)

Loss per share (LPS) attributable to the equity shareholders of the parent	Pence per share	Pence per share
Basic and diluted LPS from continuing operations	(8.33)p	(0.22)p
Basic and diluted LPS from discontinued operations	-	(0.74)p
Basic and diluted LPS from continuing and discontinued operations	(8.33)p	(0.96)p

Consolidated statement of financial position

As at 31 July	Note	2012 £000	2011 £000
Assets			
Non-current assets			
Intangible assets	1	2,127	11,348
Property, plant and equipment		4,959	6,742
Deferred tax asset		14	930
Total non-current assets		7,100	19,020
Current assets			
Inventories		56	43
Trade and other receivables		1,250	795
Cash and cash equivalents		230	1,876
		1,536	2,714
Other current assets			
Assets classified as held for sale		338	-
Total assets		8,974	21,734
Liabilities			
Current liabilities			
Trade and other payables		(1,880)	(1,757)
Current tax liabilities		(87)	-
Derivative		(64)	(56)
Short-term borrowings		(230)	(996)
Total current liabilities		(2,261)	(2,809)

Non-current liabilities		
Long-term borrowings	-	(230)
Deferred tax liabilities	(2,948)	(4,686)
Long-term provisions	(1,950)	(1,570)
Total non-current liabilities	(4,898)	(6,486)
Total liabilities	(7,159)	(9,295)
Net assets	1,815	12,439
Capital and reserves attributable to equity holders of the parent		
Share capital	1,379	1,301
Share premium	13,160	12,573
Merger reserve	2,868	2,868
Foreign exchange reserve	380	416
Retained deficit	(15,972)	(4,719)
Total equity	1,815	12,439

Consolidated statement of changes in equity

Attributable to the equity holders of the parent

	Share capital	Share premium	Merger reserve	Foreign exchange reserve	Retained deficit	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 1 August 2010	822	7,132	2,868	408	(3,752)	7,478
Total comprehensive income/(loss) for the year	-	-	-	8	(1,020)	(1,012)
Share based payment	-	-	-	-	53	53
Issue of share capital (net of issue costs)	479	5,441	-	-	-	5,920
Balance at 31 July 2011	1,301	12,573	2,868	416	(4,719)	12,439

	Share capital	Share premium	Merger reserve	Foreign exchange reserve	Retained deficit	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 1 August	1,301	12,573	2,868	416	(4,719)	12,439

2011						
Total comprehensive loss for the year	-	-	-	(36)	(11,316)	(11,352)
Share based payment	-	-	-	-	63	63
Issue of share capital (net of issue costs)	78	587	-	-	-	665
Balance at 31 July 2012	1,379	13,160	2,868	380	(15,972)	1,815

Consolidated statement of cash flows
For the year ended 31 July

	Note	2012 £000	2011 £000
Cash flows from operating activities			
Loss after tax		(11,316)	(232)
Adjustments for:			
Share based payments		63	53
Depreciation		673	354
Exploration write-off	1	12,451	-
Impairment of property, plant & equipment		785	425
Finance income		-	(1)
Finance expense		452	189
Taxation (credit) /expense		(739)	523
Increase in trade and other receivables		(647)	(412)
Increase in inventories		(13)	(5)
Increase / (decrease) in trade and other payables		350	(239)
Cash generated from continuing operations		2,059	655
Loss after taxation from discontinued operations		-	(788)
Adjustments for:			
Decrease in trade and other receivables		-	193
Increase in trade payables		-	617
Non cash increase in intangible assets		-	(22)
Cash used in discontinued operations		-	-
Income taxes repayment received		-	330
Net cash from operating activities		2,059	985
Cash flows from investing activities			
Purchase of property, plant and equipment		(78)	(3,213)
Purchase of intangible assets		(2,955)	(1,809)
Interest received		-	1
Net cash used in investing activities		(3,033)	(5,021)
Cash flows from financing activities			
Proceeds from issue of share capital (net of issue costs)		665	5,920

Increase/(decrease) in payables related to the issue of share capital	(115)	115
Proceeds from short-term borrowings	-	1,065
Repayment of borrowings	(1,025)	(612)
Finance costs	(289)	(80)
Net cash from financing activities	(764)	6,408
Net (decrease)/increase in cash and cash equivalents	(1,738)	2,372
Exchange gain/(loss) on cash and cash equivalents	92	(21)
Cash and cash equivalents at beginning of year	1,876	(475)
Cash and cash equivalents at end of year	230	1,876
Cash and cash equivalents comprise:		
Cash	230	1,876
Net cash and cash equivalents	230	1,876

Note 1 - Intangible assets

	2012	2011
	£000	£000
At 1 August	11,348	9,751
Additions	3,230	1,597
Exploration write-off	(12,451)	-
At 31 July	2,127	11,348

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

	2012	2011
	£000	£000
Romania	-	8,433
France	1,039	523
Ireland	66	-
UK PEDL143 (Holmwood)	437	199
UK PEDL150 (Hykeham)	-	2,020
UK PEDL180 (Wressle)	279	68
UK PEDL181 (Caister)	113	105
UK PEDL182 (Broughton)	193	-
Total	2,127	11,348

	2012 £000	2011 £000
Exploration write-off		
UK PEDL150 (Hykeham)	2,057	-
Romania	10,394	-
Total	12,451	-

As highlighted in the Operational review, the renewal process for the Béarn des Gaves and Tarbes permits is underway. The Group did not meet its expenditure commitments in the first phase of the permits and as a result there is a risk that they will not be renewed by the French authorities. Based on correspondence received to date from the authorities, the directors have a reasonable expectation that both permits will be renewed. Should the permits not be renewed, then there would be an impairment of the French intangible assets.

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