

**EUROPA OIL & GAS (HOLDINGS) PLC**

**INTERIM REPORT**

**FOR THE SIX MONTHS ENDED**

**31 JANUARY 2008**

## Chairman's Statement

I am pleased to report significant progress during the 6 months to 31 January 2008. There has been increasing production from existing facilities, the identification of exciting drillable prospects in several areas, and the award of a key new licence in the Aquitaine Basin, onshore France.

Production volumes and an increasing oil price combined to generate revenues of £1.8m in the six month period (2007 £1.3m). Costs were tightly controlled and operating profit was £1.0m (2007 £0.4m).

In December 2007, the company relocated its headquarters to an office in Abingdon, Oxfordshire. Phil Greenhalgh, formerly with Whatman plc, a FTSE 250 company, joined Europa as Finance Director on 7 January 2008. Phil has excellent qualifications and substantial financial experience and was recruited to strengthen the financial proficiency of the Company. Roderick Corrie, possessing a financial markets background, also joined the Board as a non-executive director during the period. Phil and Roderick were both appointed to the Board on 22 January 2008.

The Directors expect that several wells will be drilled in the coming 12 months:

- the Gravel Pits-1 well, UK onshore, where Europa's costs are partially carried.
- the Liliechi-1 well, Romania onshore, where Europa's costs are fully carried
- the Voitincl-1 well, Romania onshore and
- the Holmwood-1 well, UK onshore.

### UK

The UK East Midlands properties continue to provide the Company with solid oil production. The natural decline of the fields has been offset by increasing the production from the Crosby Warren (Scunthorpe) and West Firsby (Lincoln) Oilfields. During the period, Europa's UK assets produced a daily average of 234 barrels of oil, marginally up on the preceding 12 month period. Minor amounts of gas continue to be sold in the UK.

During the period, the **Crosby Warren 2Y** well was completed as an oil producer from a 3 metre interval. The well was put on 24 hour pump in mid January and thus only a small contribution from this well has been recorded during this reporting period. Water cut has been acceptable and it is planned to open up a further 8 metres of oil pay above the existing perforations in the near future. This, along with work on the Crosby Warren 1 well, will further increase production volumes from the field over the next 6 months.

The loan over the West Firsby oilfield was discharged at the end of November 2007. The field has performed very well over the period and consequently, further production enhancement work, notably additional perforations, will be completed in 2008.

Production from the Whisby-4 well on the oilfield to the south of Lincoln has been stable and predictable.

The exploration portfolio in the UK has been enhanced with the interpretation of seismic data acquired in 2007 in the PEDL150 licence, southwest of Lincoln. This has strengthened the case for drilling the Gravel Pits prospect, confirmed as a robust four-way dip-closed structure up-dip from a well with strong oil shows and situated 2km southeast of the Whisby oilfield. A planning application to drill the **Gravel Pits-1** well has been lodged with Lincolnshire County Council.

An environmental assessment report on the planned **Holmwood-1** exploration well in Surrey has been recently updated and is nearing completion. A planning application is scheduled to be submitted to in the coming months.

## **Romania**

During the period, Europa participated in the drilling of the **Boistea-1** well, situated in the EIII-3 Cvejdui licence. The well encountered a gas-bearing Sarmatian sandstone unit which was subsequently tested and flowed gas on test at a final sustained rate of 10mcm/d (350 mcfpd) after an 8 hour flowing period before being shut-in for an extended period for build-up analysis. Operational problems both before and during this test have led to uncertainties in the interpretation of the test. From wireline log information, the formation was expected to flow at higher rates. The discrepancy is due primarily to wellbore damage resulting from the well having to be killed following perforating. The other factor is low permeability, but the presence of kill fluids in and around the wellbore are likely to have had a significant negative effect on flow rates.

Consequently, Europa has expressed its support for an acid wash and hydraulic frac treatment ('frac') to obtain access to virgin formation for a subsequent flow test. The Operator will advise partners of when this frac can take place and we will report the results in due course.

It is anticipated that the **Voitinel-1** well, located on the Voitinel Prospect in the EIII-1 Brodina licence, will spud in the later part of 2008. New seismic data acquired in 2007 has been integrated into the interpretation which has confirmed the integrity of this large four-way dip-closed prospect, having multiple targets in the Tertiary molasse and platform sequences.

Europa completed the drilling of the **Costisa-2** well in the EPI-3 Brates licence in September 2007. The well was tested and flowed gas at unsustainable rates. Europa is currently discussing the option to fracture stimulate or plug and abandon the well.

Europa participated in a 200km 2D seismic acquisition survey over the western and central parts of the EPI-3 licence. This seismic programme was designed to evaluate the extension of the Moines Oilfields (typical field sizes of between 30 and 50 million barrels of recoverable oil) into the licence area and identify a drilling location for 2009. A six month extension of the current phase of the licence has been obtained to allow for this drilling decision to be made by November 2008.

## **France**

The period saw a second onshore French permit awarded to Europa, covering an area of 470km<sup>2</sup> north of the city of Tarbes in the Aquitaine Basin. The **Tarbes Val d'Adour** permit, issued in January 2008, is for a four year initial term. Several oilfields have been exploited in the surrounding area and the permit area contains two known fields: Osmets and Jacque. These oil producing fields were shut-in in 1986 when oil prices were exceptionally low. An initial review of the data indicates that the Osmets-2 well contains up to 9 metres of proven undeveloped oil pay above existing perforations. Work continues on the evaluation of the two oilfields, with a view to possible field re-development.

This evaluation highlighted the deep gas discovery in the **Béarn des Gaves** Permit, also in the Aquitaine Basin. This discovery, made near the Berenx wells in 1975, was not tested at the time due to the very high pressures encountered. Work will focus on attracting a partner with the necessary expertise to test this discovery.

## **Other Areas**

In Egypt, Europa has commenced operations from a new Cairo office and anticipates a significant exploration push later in 2008.

Europa is marketing its Ukraine business for a possible sale.

Exploration interests in Western Sahara continue to await a political resolution.

**Finance**

The group completed its preparations to adopt International Financial Reporting Standards (IFRS) in the period and provided reconciliations for the year to 31 July 2007 in an announcement dated 22 April 2008.

On 19 November 2007 Europa issued £100,000 of new share capital to the Headstart Group of funds under the 1 June 2006 share finance facility.

A deferred tax asset held in Europa Oil & Gas (Holdings) of £205,000 was considered as not recoverable in the near term and has been derecognised in the period.

For the calculation of the depletion charge within cost of sales, the group adopted the findings of the reserves report issued by Energy Resource Consultants Limited dated 31 July 2007.

**Outlook**

We look forward to building on the work of the past six months, notably in drilling up to 4 exploration wells in the coming 12 months and undertaking field rehabilitation work designed to further increase the Company's revenue stream into 2009.

A handwritten signature in black ink, reading "Michael Oliver". The signature is written in a cursive style and is positioned above a horizontal line.

Sir Michael Oliver  
Chairman  
Europa Oil & Gas (Holdings) plc

28 April 2008

**Table of Licences**

Country	Project	Equity	Operator	Status
UK	Crosby Warren Oilfield	100%	Europa	Production, well work planned
UK	West Firsby Oilfield	100%	Europa	Production, well work planned
UK	PEDL143 (Holmwood)	40%	Europa	Exploration, Holmwood-1 well planned 2009
UK	PEDL150 (SW Lincoln area)	50%*	Europa	Exploration, Gravel Pits-1 well planned 2008
UK	UKCS 109/5 & 112/30	50%	Europa	Exploration, 1.6tcf prospect
UK	Whisby Oilfield (W4 only)	65%	BPEL	Production from W4 well
Romania	Brates Block East	80%	MND	Costisa-2 Appraisal
Romania	Brodina Block	28.75%	Aurelian	Exploration, Voitinel-1 well planned 2008
Romania	Brates Block West	20%	MND	Exploration, drill/drop decision pending
Romania	Cuejdiu Block	17.5%*	Aurelian	Boistea-1 reservoir stimulation planned
Romania	Bacau Block	19%*	Aurelian	Liliechi-1 well planned 2008, fully carried
Ukraine	Horodok Gasfield	70%	Europa	Pilot production phase
France	Béarn des Gaves + Tarbes val d'Adour	100%	Europa	Exploration, new awards, possible field redevelopment
Egypt	West Darag Onshore	60%*	Europa	Exploration
W. Sahara	Bir Lehlou & Hagounia Blocks	100%	Europa	Exploration
Poland	Blocks 434, 435	2.5% roy	Medusa/RWE	Further drilling planned

\* subject to various contractual arrangements

# Nexia Smith & Williamson

Independent Review Report To Europa Oil & Gas (Holdings) Plc

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 31 January 2008 which comprises a consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated interim cashflow statement and related notes 1 to 7.

We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the AIM Rule 18. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report or for the conclusions we have reached.

## Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with AIM Rule 18.

As disclosed in the notes to the financial statements, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. It is the responsibility of the directors to ensure that the condensed set of financial statements included in this half-yearly report have been prepared on a basis consistent with that which will be adopted in the Group's annual financial statements.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to

obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 31 January 2008 is not prepared, in all material respects, in accordance with the requirements of the AIM rules.

**Nexia Smith & Williamson**

25 Moorgate

Chartered Accountants

London

Registered Auditors

EC2R 6AY

Date: 28 April 2008

*The maintenance and integrity of the Europa Oil & Gas (Holdings) Plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the web site.*

*Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.*

## Consolidated income statement

	Unaudited 6 months to 31 January 2008 £000	Unaudited 6 months to 31 January 2007 £000	Year to 31 July 2007 £000
<b>Continuing operations</b>			
Revenue	1,793	1,256	2,504
Cost of sales	(673)	(722)	(3,032)
<b>Gross profit/(loss)</b>	<b>1,120</b>	534	(528)
Administrative expenses	(170)	(158)	(418)
Other operating expenses	-	(18)	(79)
<b>Operating profit/(loss)</b>	<b>950</b>	358	(1,025)
Finance income	10	85	148
Finance expense	(80)	(122)	(388)
<b>Profit/(loss) before tax</b>	<b>880</b>	321	(1,265)
Income tax expense	(762)	(234)	(408)
<b>Profit/(loss) for the period from continuing operations</b>	<b>118</b>	87	(1,673)
<b>Discontinued operations</b>			
Profit/(loss) for the period from discontinued operations	-	34	(558)
Profit/(loss) for the period	<b>118</b>	121	(2,231)
<b>Earnings/(loss) per share (pence):</b>			
From continuing operations			
Basic and diluted earnings/(loss) per share	<b>0.19</b>	0.14	(2.71)
From discontinued operations			
Basic and diluted earnings/(loss) per share	-	0.06	(0.91)
From continuing and discontinued operations			
Basic and diluted earnings/(loss) per share	<b>0.19</b>	0.20	(3.62)

## Consolidated balance sheet

	Unaudited 31 January 2008 £000	Unaudited 31 January 2007 £000	31 July 2007 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	6,470	5,153	4,514
Property, plant and equipment	5,457	5,758	4,693
	<u>11,927</u>	<u>10,911</u>	<u>9,207</u>
<b>Current assets</b>			
Inventories	20	39	36
Trade and other receivables	727	753	2,003
Current tax asset	-	-	73
Cash and cash equivalents	45	354	630
	<u>792</u>	<u>1,146</u>	<u>2,742</u>
<b>Total assets</b>	<u>12,719</u>	<u>12,057</u>	<u>11,949</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	(2,222)	(397)	(2,865)
Current tax payable	(167)	(538)	-
Short-term borrowings	(1,353)	(257)	(533)
	<u>(3,742)</u>	<u>(1,192)</u>	<u>(3,398)</u>
<b>Non-current liabilities</b>			
Long-term borrowings	(310)	(630)	(316)
Deferred tax liabilities	(2,081)	(1,301)	(1,847)
Long-term provisions	(448)	(649)	(438)
<b>Total non-current liabilities</b>	<u>(2,839)</u>	<u>(2,580)</u>	<u>(2,601)</u>
<b>Total liabilities</b>	<u>(6,581)</u>	<u>(3,772)</u>	<u>(5,999)</u>
<b>Net assets</b>	<u>6,138</u>	<u>8,285</u>	<u>5,950</u>
<b>EQUITY</b>			
Share capital	626	620	620
Share premium	4,691	4,597	4,597
Merger reserve	2,868	2,868	2,868
Retained earnings	(2,047)	200	(2,135)
<b>Total equity</b>	<u>6,138</u>	<u>8,285</u>	<u>5,950</u>

## Consolidated statement of changes in equity (unaudited)

	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
<b>Balance at 1 August 2006</b>	611	4,406	2,868	50	7,935
<b>Changes in equity for first half of 2006/7</b>					
Exchange difference on translation of foreign operations	-	-	-	16	16
Net income recognised directly in equity	-	-	-	16	16
<b>Profit for the period</b>	-	-	-	121	121
<b>Total recognised income and expense for the period</b>	-	-	-	137	137
Share based payments	-	-	-	13	13
Issue of share capital	9	191	-	-	200
<b>Balance at 31 January 2007</b>	<u>620</u>	<u>4,597</u>	<u>2,868</u>	<u>200</u>	<u>8,285</u>
<b>Balance at 1 August 2006</b>	611	4,406	2,868	50	7,935
<b>Changes in equity for year</b>					
Exchange difference on translation of foreign operations	-	-	-	5	5
Net income recognised directly in equity	-	-	-	5	5
<b>Loss for the year</b>	-	-	-	(2,231)	(2,231)
<b>Total recognised income and expense for the year</b>	-	-	-	(2,226)	(2,226)
Share based payments	-	-	-	41	41
Issue of share capital	9	191	-	-	200
<b>Balance at 31 July 2007</b>	<u>620</u>	<u>4,597</u>	<u>2,868</u>	<u>(2,135)</u>	<u>5,950</u>

## Consolidated statement of changes in equity (unaudited) - continued

	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total equity £000
<b>Balance at 1 August 2007</b>	620	4,597	2,868	(2,135)	5,950
<b>Changes in equity for first half of 2007/8</b>					
Exchange difference on translation of foreign operations	-	-	-	-	-
Net income recognised directly in equity	-	-	-	-	-
<b>Profit for the period</b>	-	-	-	118	118
<b>Total recognised income and expense for the period</b>	-	-	-	118	136
Share based payments	-	-	-	(30)	(30)
Issue of share capital	6	94	-	-	100
<b>Balance at 31 January 2008</b>	<u>626</u>	<u>4,691</u>	<u>2,868</u>	<u>(2,047)</u>	<u>6,138</u>

## Consolidated interim cash flow statement

	Unaudited 6 months to 31 January 2008 £000	Unaudited 6 months to 31 January 2007 £000	Year to 31 July 2007 £000
<b>Cash flows from operating activities</b>			
Profit/(loss) after taxation	118	121	(2,231)
Adjustments for:			
Share based payments	(30)	13	41
Depreciation including exploration and appraisal write off	266	595	2,587
(Profit)/loss on sale of fixed assets	10	-	594
Finance income	(9)	(87)	(150)
Finance expense	67	127	395
Taxation expense recognised in income statement	762	234	408
Decrease / (increase) in inventories	16	(22)	(20)
Decrease / (increase) in trade and other receivables	276	(94)	(598)
(Decrease) / increase in trade and other payables	(202)	25	851
Cash generated from operations	<u>1,274</u>	<u>912</u>	<u>1,877</u>
Interest paid	(50)	(55)	(252)
Income taxes paid	(300)	-	(90)
<b>Net cash from operating activities</b>	<u>924</u>	<u>857</u>	<u>1,535</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(3,423)	(922)	(2,700)
Proceeds from sale of property, plant and equipment	1,009	-	1,000
Interest received	10	4	14
<b>Net cash used in investing activities</b>	<u>(2,404)</u>	<u>(918)</u>	<u>(1,686)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	100	200	200
Underwriting and due diligence fee	(5)	-	(10)
Proceeds from long-term borrowings	-	460	790
Repayment of borrowings	(47)	(393)	(828)
<b>Net cash from financing activities</b>	<u>48</u>	<u>267</u>	<u>152</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,432)</b>	<b>206</b>	<b>1</b>
<b>Exchange loss on movement of cash and cash equivalents</b>	<b>(11)</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>149</b>	<b>148</b>	<b>148</b>
<b>Cash and cash equivalents at end of period</b>	<b><u>(1,294)</u></b>	<b><u>354</u></b>	<b><u>149</u></b>

# Notes to the consolidated interim statement

## **1 Nature of operations and general information**

Europa Oil & Gas (Holdings) plc ("Europa Oil & Gas") and subsidiaries' ("the Group") principal activities consist of investment in oil and gas exploration, development and production.

Europa Oil & Gas is the Group's ultimate parent company. It is incorporated and domiciled in Great Britain. The address of Europa Oil & Gas's registered office head office is 11 The Chambers, Vineyard, Abingdon, Oxfordshire OX14 3PX. Europa Oil & Gas's shares are listed on the Alternative Investment Market of the London Stock Exchange.

The Group's consolidated interim financial information is presented in Pounds Sterling (£), which is also the functional currency of the parent company.

The consolidated interim financial information has been approved for issue by the Board of Directors on 28 April 2008.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 31 July 2007, prepared under UK GAAP, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985.

## **2 Summary of significant accounting policies**

This interim financial information has been prepared by applying the IFRS-compliant accounting policies published on the group's website, [www.europaoil.com](http://www.europaoil.com).

## **3 Basis of preparation**

The interim consolidated financial information is for the six months ended 31 January 2008 and has been prepared following the recognition and measurement principles of IFRS because they are part of the period covered by the Group's first IFRS financial statements for the year ending 31 July 2008. The standard IAS34 Interim Financial Reporting has not been applied as this is only mandatory for fully listed entities.

The interim financial information does not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 July 2007. The information has been prepared on the going concern basis and under the historical cost convention.

The consolidated interim financial information has been prepared in accordance with the accounting policies referred to above which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and are effective or are expected to be adopted and effective at 31 July 2008, our first annual reporting date at which we are required to use IFRS accounting standards as adopted by the EU.

Europa Oil & Gas's audited consolidated financial statements were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) until 31 July 2007. The date of transition to IFRS was 1 August 2006. The comparative figures in respect of 2007 have been restated to reflect changes in accounting policies as a result of adoption of IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in the reconciliation schedules published on the group's website.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of the consolidated interim financial information.

#### **4 Share capital**

At each reported period end, the company's authorised share capital amounted to £1,500,000 represented by 150,000,000 ordinary shares of 1p each. At 31 January 2008, allotted, called up and fully paid share capital was £625,637, being 62,563,730 ordinary shares of 1p each.

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

#### **5 Earnings per share**

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and warrants and other dilutive potential ordinary shares.

During each reported period the company's average share price was lower than the exercise price of the share options in issue. Therefore the share options in issue have no dilutive effect and there is no difference between the basic and diluted earnings per share.

The calculation of the basic and diluted earnings/(loss) per share is based on the following:

##### **Earnings/(losses)**

	<b>6 months to 31 January 2008 £000</b>	6 months to 31 January 2007 £000	Year to 31 July 2007 £000
Earnings/(losses) for the purposes of basic earnings/(loss) per share	<u>118</u>	<u>121</u>	<u>(2,231)</u>

##### **Number of shares**

	<b>6 months to 31 January 2008</b>	6 months to 31 January 2007	Year to 31 July 2007
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	<u>62,239,253</u>	<u>61,396,334</u>	<u>61,709,613</u>

### Discontinued operations

The discontinued operations basic and diluted loss per share has been calculated using:

	<b>6 months to 31 January 2008 £000</b>	6 months to 31 January 2007 £000	Year to 31 July 2007 £000
Earnings/(losses) for the purposes of basic earnings/(losses) per share	<u>-</u>	<u>34</u>	<u>(558)</u>

### Continuing operations

The continuing operations basic and diluted earnings / (loss) per share has been calculated using:

	<b>6 months to 31 January 2008 £000</b>	6 months to 31 January 2007 £000	Year to 31 July 2007 £000
Profits / (losses) for the purposes of basic earnings / (losses) per share	<u>118</u>	<u>87</u>	<u>(1,673)</u>

## 6 Dividends

No dividends have been paid to equity shareholders during the periods covered by the interim financial information.

## 7 Post Balance Sheet Events

On 7 March 2008 the company received a loan of Euro 650,000 from The Sherborne Trust, a discretionary trust of which Mr CW Ahlefeldt-Laurvig is a beneficiary. Mr Ahlefeldt-Laurvig is a director of the company. The loan is expected to be repaid in the third quarter of 2008.

On 2 April 2008 the Sherborne Trust loan was assigned to Mr CW Ahlefeldt-Laurvig and Mrs M Ahlefeldt-Laurvig.