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

10 October 2019

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

**Final Results for the year to 31 July 2019**

Europa Oil & Gas (Holdings) plc, the UK and Ireland focussed oil and gas exploration, development and production company, announces its final results for the 12 month period ended 31 July 2019.

The full Annual Report and Accounts will be available shortly on the Company's website at www.europaoil.com and will be mailed in November 2019 to those shareholders who have requested a paper copy.

**Operational highlights**

**Offshore Ireland**

- LO 16/20, which holds Inishkea, Europa's flagship gas prospect, converted to 15 year exploration licence FEL 4/19
- 1.5 trillion cubic feet ('tcf') gross mean un-risked prospective gas resources and 1 in 3 chance of success assigned to Inishkea
- Progressing regulatory consent for site surveys over Inishkea, Kiely East and Edgeworth as part of drill site preparations
- Continuing farm-out discussions with respect to Frontier Exploration Licence ("FEL") 4/19, FEL 1/17 and FEL 3/13. FEL 4/19 now expected to be prioritised
- Secured a 12 month extension to the first phase of FEL 2/13 to 4 July 2020

**UK**

- Average of 91 barrels of oil equivalent per day ('boepd') (2018: 94 boepd) recovered from three UK onshore fields
- Workover of the West Firsby 6 well utilising a drain hole jetting technique – the well is currently producing 7 boepd net to Europa having previously produced nothing
- Wressle planning appeal scheduled for 5 November 2019 – subject to a positive outcome, development would more than double Europa's net production to around 240 bopd
- Sold interest in PEDL143 to UK Oil & Gas PLC

**Financial**

- 6% increase in Group revenue to £1.7m (2018: £1.6m)
- Zero exploration write-off (2018: £1.3m)
- Narrowing of pre-tax loss to £0.7m (2018: loss £2.3m)
- Post-tax loss of £0.7m (2018: loss £2.6m)
- 16% reduction in administrative expenses to £811,000 (2018: £967,000)
- Cash used in operating activities £0.66m (2018: cash used £0.48m)
- Net cash balance as at 31 July 2019 £2.9m (31 July 2018: £1.8m)

**Post reporting date events**

- Award of Inezgane Offshore licence on Atlantic coast of Morocco.
- Irish Government announced intent to phase out future licensing for oil exploration, but not gas exploration; later confirmed that all existing exploration licences for both oil and gas remain valid.

Europa's CEO, Hugh Mackay, said "Having de-risked multiple hundred million barrel plus prospects offshore Ireland and embarked on farm-out discussions with suitable partners, we have been keen to add a third territory to Europa's portfolio, specifically one that complements the team's technical capabilities. The post period end award of the Inzeghane Permit offshore Morocco represents the culmination of an extensive process and considerable work over the course of the year. Similar to Atlantic Ireland, Europa's entry into Morocco is low cost and early stage. Like Ireland, with 250 million plus barrel prospects already identified, Inzeghane has the potential to move the needle in the event of drilling success.

"Inzeghane does not represent the sum of our new venture activity. Our aim is to build a full cycle oil and gas company and our priority is to add a late stage appraisal/development project to our licence base. At the same time, we are working hard to advance our existing assets, specifically securing funding to drill wells offshore Ireland and supporting the operator's efforts to obtain planning consent for the development of the Wressle oil field, which promises to more than double our UK onshore production to around 240bopd. At this rate and based on current oil prices, Europa's revenue profile would leap to £3-4million a year, a figure that represents almost half our current market capitalisation. Together with a low cost base, Europa would be transformed into a profitable oil and gas company, at least at the underlying level, with a prospect inventory that has significant company-making potential."

**Chairman's statement**

New Ventures

Our portfolio currently comprises two main business areas:

- Very high impact exploration offshore Atlantic margin in Ireland and (as recently announced) Morocco, and
- Oil development and production onshore UK.

It is a priority for the Board to add a third area in the appraisal/development part of the business cycle. Following a strategy review in October 2018 a dedicated Board Strategy Committee was set up, meeting monthly to track progress and review new venture opportunities against a continuously evolving business environment. We are seeking projects in different stages of the business cycle, in new basins, in countries with low political and regulatory risk. Our approach is to review many candidates and progress only those which meet strict suitability criteria. Our target is to have identified and likely added this third area within the next period.

Ireland – Inishkea

Inishkea is our flagship prospect in Ireland. This is "infrastructure-led" exploration next to the ~1tcf Corrib gas field in the Slyne basin and is unaffected by well results in the South Porcupine basin.

We reported gross unrisked prospective resources of 1.5tcf and an estimated geological chance of success of 1 in 3. LO 16/20 was converted to a 15 year Frontier Exploration Licence FEL 4/19 effective 1 August 2019. We have submitted a site survey application for a drilling location. The process began on 31 January and we hope to obtain regulatory approval during Q4 2019. As a consequence of the time taken by the regulatory authorities, site survey operations will be in 2020 subject to regulatory approval. We believe that there is a compelling technical and commercial case for gas exploration in the vicinity of the Corrib gas infrastructure and there are positive signs for a farmout.

Ireland - Porcupine

Though the Iolar exploration well on the western flank of the South Porcupine was unsuccessful, we believe that the geological fundamentals of the undrilled eastern flank are different and better. New technical work on FEL 1/17 and FEL 3/13 has enhanced our appreciation and understanding of the Edgeworth, Ervine, Egerton prospect complex and we will be presenting this to the industry at the Atlantic Ireland conference in October 2019. We have secured a 12-month extension for FEL 2/13 and await a similar extension for FEL 3/13. We have a site survey application in process for a location on the Edgeworth prospect in FEL 1/17. We hope to obtain regulatory approval during Q4 2019. As a consequence of the time taken, any site survey operations will be in 2020 and subject to regulatory approval.

Ireland – general

Two headwinds have adversely affected the oil and gas industry in Ireland:

- The Climate Emergency Measures Bill. Though the Bill did not proceed, it threatened substantial investments in Atlantic Ireland and was a significant concern.
- The time taken to obtain regulatory approvals for licence renewals and conversions, and for operational activities such as site surveys, has been extended substantially.

These factors have slowed the pace of industry activity and the farmout market and it is against this backdrop that our work continues with operations and farmouts.

The previously flagged farmout discussions continue, but given the time elapsed and the changing local market conditions the Board now considers it more likely that the farmin for the Inishkea licence FEL 4/19 will be concluded first rather than three licenses simultaneously as originally envisaged.

Morocco

Post the reporting date, we announced the award of the Inezgane licence offshore Morocco. This licence is in an under-explored basin with the key elements of a working hydrocarbon system in the Lower Cretaceous. Morocco has an active oil and gas industry and a supportive Government, with a desire to grow the sector. Offshore, ENI and Genel are exploring just to the south of our licence. Shell, Repsol, Sound and SDX Energy are amongst the companies active onshore. Morocco has good fiscal terms. Entry costs, political, regulatory and security risks are all low.

During the initial two-year phase of the licence, Europa will reprocess 1,300 $km^2$ of 3D seismic data. This continues a workflow process that we thoroughly understand having reprocessed 3,500 $km^2$ in three seismic surveys offshore Ireland with very positive results. The forward plan is to reprocess, interpret, build a prospect inventory and farmout to drill.

Our decision to enter Morocco was predicated on using the skills which our technical team have developed in working up prospects in areas covered with modern 3D seismic in a prospective offshore setting and presenting these to the industry in order to attract capital investment from larger industry players. We looked for a country where the entry costs were low, 3D was available at low cost, and the prospectivity, and consequential industry interest was high. We are delighted to have secured a large and prospective block, in an area which is of keen interest to the industry, as the presence of major oil and gas companies in adjacent acreage demonstrates. Given the sometimes difficult operating environment in other jurisdictions, it is a pleasure for us to be operating in an area where the Government and the regulators are keen to work with industry in making progress for the country.

UK - Wressle

Our focus is on getting the Wressle oil discovery into production. The Wressle oil development Planning Inquiry takes place in November 2019 and the news that North Lincolnshire Council have withdrawn from the inquiry is positive. The operator Egdon is working hard to present a strong case to the planning inspector and we are more hopeful than ever that we will have the well, which was drilled in 2014, producing oil in 2020.

Gross oil production on Wressle startup is forecast to be 500 bopd and Europa's 30% share will more than double our current production providing an important part of our financial resilience.

UK - Production

We are trying to maximise our existing production from fields that we operate. At West Firsby a workover of well WF6 was successful and achieved oil production from a reservoir interval which has never previously produced. We gained invaluable insights into the practicalities of deploying drain-hole jetting technology and this will enable us to exploit other opportunities in our portfolio.

Conclusions

This has been a challenging year for the company in Ireland where there have been delays beyond our control in both farmout and operational activities. On the positive side our further studies on Inishkea confirm it to be a potential company maker which fits well with the existing gas producing infrastructure and importantly with Ireland's short to medium term energy and environmental requirements. I am optimistic that the Wressle development in the UK will finally be completed and brought on stream within the next period. I am also confident that adding a new venture in the appraisal/development part of the business will diversify the asset portfolio and provide greater protection for the company from extraneous delays and unforeseen events.

I would like on behalf of the Board to thank the management, employees and consultants for their work and commitment throughout the year.

Finally, may I thank our shareholders for their support and confidence in the company going forward.

Simon Oddie

Chairman

**Operations**

Offshore Ireland: Exploration

Slyne Basin: FEL 4/19 (Inishkea)

The Inishkea gas prospect in FEL 4/19 has been the focus of substantial technical, commercial and operations work during the year and remains the Company's flagship project. Inishkea is a large, low risk gas prospect close to gas infrastructure and in a country with a robust demand for gas.

Ireland has a growing economy and its demand for energy and electricity is forecast to rise. The Government has announced its firm commitment to phase out coal from the Irish generating mix by 2025, and the 915 MW currently generated by coal at the Moneypoint power station is likely to be replaced by gas-fired power generation. Gas will be a key part of the Irish energy transition providing baseload and back up to renewables. As Minister Bruton said on 25 July 2019 in www.thejournal.ie "There's no doubt if we had a gas find beside Corrib and could continue to supply from Corrib that would be of immense benefit to us in that transition, it would allow us to have gas as a transition fuel because when the wind doesn't blow and the sun doesn't shine you need a transition fuel".

The Irish Government approved the Company's application to convert Licensing Option 16/20 in the Slyne basin in Atlantic Ireland to FEL 4/19. The 100% owned licence has a 15-year term commencing from 1 August 2019.

During the year, substantial technical work was undertaken to further de-risk and quantify prospective resources for Inishkea. This work included Pre-Stack Depth Migration ('PSDM') reprocessing of 770 $km^2$ of 3D seismic data over Inishkea and the Corrib gas field. The geophysical interpretation arising from the PSDM data has been benchmarked and calibrated against newly released Ocean Bottom Cable 3D seismic data over Corrib. That work assigned the Inishkea prospect an estimated Gross Mean Un-Risked Prospective Resource ('GMUPR') of 1.5 tcf.

| **Licence** | **Prospect** | **Play** | **Gross Un-risked Prospective Resources (billion cubic feet)** | | | |
|---|---|---|---|---|---|---|
| | | | **Low** | **Best** | **High** | **Mean** |
| FEL 4/19 | Inishkea | Triassic gas | 244 | 968 | 3,606 | 1,528 |

Inishkea is a large fault bounded Triassic structure that lies northwest of the Corrib gas field. The reservoir is Triassic age sandstone sourced from the underlying Carboniferous. The trap is provided by a combination of Triassic Uilleann Halite top seal and fault seal. Engineering studies demonstrate strong positive economics for a range of porosity outcomes, including outcomes significantly poorer than Corrib. Europa's view of porosity at Inishkea is supported by velocity data from the new PSDM data. Given the Company's confidence in trap and reservoir quality and the nearby Corrib gas field, the Company assigned Inishkea a one-in-three chance of success.

Inishkea is in relatively shallow water in a proven gas play 18km from the Corrib infrastructure connecting it to the 350 million cubic feet of gas per day Bellanaboy gas processing plant. Corrib field production is in decline. During Q2 2019 average production was 245 mmscf/d and there is growing spare capacity in the infrastructure that a new discovery could potentially take advantage of. Inishkea offers a low risk, high impact exploration prospect that can be potentially fast tracked to commercialisation.

A drilling location for a first exploration well on Inishkea (18/20-H) has been identified and the well engineering design is completed. There is a robust, low risk seismic tie for the Corrib Sandstone reservoir back to the Corrib gas field. Europa intended to acquire a site survey in summer 2019 and began the regulatory consent process in January 2019. We remain hopeful that regulatory consent will be obtained during Q4 2019. Unfortunately, the delay in granting permission for this survey means that site survey operations will likely take place in 2020 and that any drilling will be from 2021 at the earliest.

Elsewhere on FEL 4/19 the Corrib North structure containing the 18/20-7 gas discovery well drilled by Shell in 2010 may be upgraded to contingent resources pending further engineering evaluation. Discovered Gas Initially In Place ("GIIP") is provided in the table below:

| Licence | Prospect | Play | Gross discovered GIIP (billion cubic feet) | | |
|---|---|---|---|---|---|
| | | | Low | Best | High |
| FEL 4/19 | Corrib North | Triassic gas | 5 | 41 | 208 |

South Porcupine Basin: FELs 1/17, 2/13 and 3/13

Europa holds four licences in the South Porcupine Basin. These include three operated licences, FELs 1/17, 2/13 and 3/13, which are estimated to hold gross mean un-risked prospective resources of 4.3 billion barrels of oil equivalent ('boe') across our top nine prospects, including firm drilling targets Edgeworth in FEL 1/17, Wilde in 3/13 and Kiely East in 2/13. The volumetrics are based on prospect mapping utilising the 2017 and 2018 reprocessed PSDM 3D seismic data that we originally acquired in 2013. This has resulted in a marked improvement in seismic quality and a substantial de-risking of the prospect inventory.

The table below summarises the GMUPR across selected prospects in FELs 1/17, 2/13 and 3/13:

| Licence | Prospect | Play | Gross Un-risked Prospective Resources (mmboe) * | | | |
|---|---|---|---|---|---|---|
| | | | Low | Best | High | Mean |
| FEL 1/17 | Ervine | Pre-rift | 63 | 159 | 363 | 192 |
| FEL 1/17 | Edgeworth | Pre-rift | 49 | 156 | 476 | 225 |
| FEL 1/17 | Egerton | Syn-rift | 59 | 148 | 301 | 167 |
| FEL 3/13 | Beckett | mid-Cretaceous Fan | 111 | 758 | 4,229 | 1,719 |
| FEL 3/13 | Shaw + | mid-Cretaceous Fan | 20 | 196 | 1,726 | 747 |
| FEL 3/13 | Wilde | Early Cretaceous Fan | 45 | 241 | 1,082 | 462 |
| FEL 2/13 | Kiely East + | Pre-rift | 52 | 187 | 612 | 280 |
| FEL 2/13 | Kiely West + | Pre-rift | 23 | 123 | 534 | 225 |
| FEL 2/13 | Kilroy + | Cret. Slope Apron | 37 | 177 | 734 | 312 |
| | | | | | | |
| **Total** | | | | | | **4,329** |

*million barrels of oil equivalent. The hydrocarbon system is considered an oil play and mmboe is used to take account of associated gas. However, due to the significant uncertainties in the available geological information, there is a significant possibility of gas charge.

+prospect extends outside licence, volumes are on-licence

FEL 3/13 and FEL 1/17 are considered our most prospective licences in the South Porcupine and our top ranked prospects are the Edgeworth Ervine fault block complex in FEL 1/17. The application process for a site survey on Edgeworth commenced in February 2019 and remains ongoing.

The Government approved the Company's application for a 12 month extension to the First Phase of FEL 2/13 to 4 July 2020. The Company's application for a 12 month extension to the First Phase of FEL 3/13 remains under Government consideration.

The next steps for FEL 2/13 include integration of recently purchased CREAN 3D seismic data with particular focus on mapping the extension of Kiely East into open acreage to the south of the licence. The application process for a site survey on Kiely East commenced in February 2019 and remains ongoing.

South Porcupine Basin: LO 16/19

Europa holds a 30% interest in the Cairn-operated LO 16/19 on the west side of the South Porcupine. 3D seismic was acquired in mid-2017 and a final processed product was delivered in Q4 2018. Following the farmout in April 2017, Europa is carried on this work programme by Cairn Energy up to a cap of US$6 million. Prospect mapping is in progress and the prospect inventory is expected later in 2019.

The Iolar well

The South Porcupine basin is a large basin (circa 50,000 km$^2$) with only four exploration wells drilled since 1988. The most recent well is the CNOOC operated Iolar well in FEL 3/18 on the west flank of the basin and drilled during summer 2019. On 22 August 2019 CNOOC advised that the well had been plugged and abandoned as a dry hole. The pre-drill public domain information indicated the well was to be drilled in 2,162 m water depth, with a forecast TD of 6,174 mtvdss and with a primary target of Middle Jurassic sandstones. The well was drilled as a "tight hole" which means that the partners have not released any detailed information on its results post drilling. Consequently, there is no information available as yet regarding actual stratigraphy, formation tops, source rocks, reservoir and hydrocarbon indications encountered in the well.

Europa believes that its Middle Jurassic prospects in FEL 3/13 and FEL 1/17 on the undrilled east flank of the South Porcupine are more prospective, and lower risk than prospects on the west flank of the basin. Whilst the 417 mmbo Edgeworth Ervine fault block complex is also targeting marine Middle Jurassic sandstone reservoirs crucially at this location we expect to encounter top seal provided by Upper Jurassic mudstones, and the basinward dipping fault blocks are likely to be in communication with mature, oil prone Upper Jurassic source rocks.

Farmout

As previously announced, we have negotiated farmout agreements in respect of FEL 4/19, FEL 1/17 and FEL 3/13 with the NW Europe division of a major oil company (the 'Major'). Europa is in regular contact with the Major and continues to await a final investment decision from the Major's head office. However, owing to the length of time it has taken to complete the farmout agreement, we have continued to market the licences to other potential partners. We are focused on being in a position to drill Inishkea at the earliest opportunity and farmout discussions are ongoing with a number of parties, including the Major. We believe that the 'Major' is considering prioritising conclusion of the FEL 4/19 Inishkea farmout and in advance of the South Porcupine licences FEL 1/17 and FEL 3/13.

The Future of Exploration in Ireland

On 23 September 2019 at the UN Climate Action Summit in New York An Taoiseach Leo Varadkar stated the Irish Government's intention to phase out oil exploration licences in the future, but not gas exploration. The Irish Offshore Operators Association (IOOA), the representative organisation for the Irish offshore oil and gas industry, sought clarification from the Government on behalf of its members. On 24 September the Government confirmed to IOOA that its proposals 'will relate to future applications' and that its 'existing licences will remain valid'.

All of Europa's existing licences in Atlantic Ireland are therefore valid, and will continue to be valid, irrespective of whether exploration is for oil or gas.

IOOA are awaiting a meeting with Government to outline their proposals on how future licensing rounds will be implemented. We understand that future applications for gas exploration licences may be permitted.

Our flagship project in Atlantic Ireland is the 1.5 tcf Inishkea gas prospect and we note in the letter of 20 September from Ireland's Climate Change Advisory Council and tweeted by Minister Bruton at the UN on 23 September the comment that "Recovery of newly discovered gas reserves may lead to improved energy security, lower energy costs, and facilitate reductions in greenhouse gas emissions during the transition to a low carbon economy". We consider this a positive statement for Irish gas exploration.

UK - Onshore Production

Our oil production in onshore UK and the revenue streams that it generates is an important part of the company's portfolio. We are actively maximising production from our existing fields and most importantly we are finally making positive progress towards obtaining planning approval for the Wressle oil development.

East Midlands: West Firsby; Crosby Warren; Whisby-4

During the period, initiatives were undertaken to maximise production at the West Firsby oil field including a workover of the WF6 well utilising a drain hole jetting technique for the first-time onshore UK. The workover involved jetting sixteen 90m length drain holes and setting a new record for hole angle. Having previously produced zero oil, WF6 is currently producing 7 bopd net to Europa. Whilst a comparatively small quantum of oil at $60 per barrel oil price it is an increase of around 8% in our UK production. Most importantly we have gained unique insights into utilisation and deployment of the technology and we are seeking other opportunities where the quantum increase in production will be more substantial.

An average of 91 boepd (2018: 94 boepd) was recovered from the three UK onshore fields. Production was down as a result of natural decline, but partially offset by the contribution from the WF6 well.

East Midlands: PEDL180 (Wressle); PEDL182 (Broughton North)

Europa has a 30% working interest in licence PEDL 180 in the East Midlands which holds the Wressle oil discovery, alongside Egdon (operator, 30%), Union Jack Oil (27.5%), and Humber Oil & Gas Limited (12.5%).

An inquiry to hear the Company's appeal against the refusal of planning consent for the development of the Wressle oil field by the planning committee of North Lincolnshire Council ('NLC') is scheduled to commence on 5 November 2019. Following a closed meeting held on 17 July 2019, we learnt that NLC will not present evidence at the inquiry and has withdrawn its case following agreement of acceptable planning conditions.

We welcome the NLC decision and look forward to continuing to support the operator Egdon, as it seeks to obtain planning permission via the appeal and prepares to present the case for the development of the Wressle oil field to the independent professional Planning Inspector.

The Wressle oil field was discovered in 2014 by the Wressle-1 well. During testing, a total of 710 boepd were recovered from three separate reservoirs, the Ashover Grit, the Wingfield Flags and the Penistone Flags. In September 2016, a Competent Person's Report ('CPR') provided independent estimates of reserves and contingent and prospective oil and gas resources for the Wressle discovery of 2.15 million stock tank barrels classified as discovered (2P+2C). Under the proposed development plan, Wressle is anticipated to produce at an initial gross rate of 500 bopd. If that were achieved, Europa would receive a net 150 bopd from Wressle and Europa's UK production would increase to around 240 bopd. Most importantly our revenue from production would more than double and make an important contribution to the financial stability of the company.

East Midlands: PEDL181

PEDL181 provides exposure to the hydrocarbon potential of the Humber basin. The licence has technical synergy with the adjacent PEDL334 which was awarded to an Egdon Resources-led group in the 14th Round for the purpose of conventional and unconventional exploration.

East Midlands: PEDL299 (Hardstoft)

PEDL299 contains the Hardstoft oil field which was discovered in 1919 by the UK's first ever exploration well. Hardstoft produced 26,000 barrels of oil from Carboniferous limestone reservoirs in the 1920s. We believe there is more oil to be recovered from the Hardstoft structure. Gross 2C contingent resources of 3.1 mmboe and gross 3C contingent resources of 18.5 mmboe were identified in a CPR issued by joint operation partner Upland Resources. We believe that application of modern production testing and drilling methodologies could well lead to commercial oil flowrates being achieved. Europa's interest in PEDL299, which is restricted to the conventional prospectivity including Hardstoft, is 25%, alongside Upland 25% and INEOS, the operator, 50%.

Cleveland Basin: PEDL343 (Cloughton)

PEDL343 contains the Cloughton gas discovery, which was drilled by Bow Valley in 1986 and flowed gas to surface on production test from conventional Carboniferous sandstone reservoirs. Europa regards

Cloughton as a gas appraisal opportunity with the critical challenge being to obtain commercial flowrates from future production testing operations. Europa holds a 35% interest in PEDL343 alongside Arenite 15%, Third Energy 20% (operator), Egdon Resources 17.5% and Petrichor Energy 12.5%.

Weald Basin: PEDL143 (Holmwood)

We completed the sale of our 20% interest in the UK onshore PEDL143 exploration licence to AIM-traded UK Oil & Gas PLC ('UKOG') for a consideration of £300,000, satisfied through the issue of 25,951,557 shares ('Consideration Shares') in UKOG. The Consideration Shares are subject to a six-month orderly market provision.

New Ventures

In Morocco we have signed the Inezgane Offshore exploration permit with ONHYM (The National Office of Hydrocarbons and Mines) on 17 September. Inezgane is on the Atlantic Margin of Morocco and represents a new high impact exploration component to our portfolio of licences.

The next step is formal ratification by the Ministry of Energy and Ministry of Finance. This is expected to be obtained during November and the eight-year licence will formally be given its start date. In the interim period work has already started. ONHYM is already providing Europa with the relevant 3D, 2D, well data and regional geological information.

The first phase of the licence is for two years during which time we will reprocess 1,300 km$^2$ 3D seismic, build the prospect inventory, define a drillable prospect and farmout to drill in Phase 2. The cost of the first phase programme is expected to be around £500,000.

Inezgane Offshore is located in the Agadir Basin on the Atlantic Coast of Morocco. Water depths vary from 600-2,000m and the licence is very large; 11,288 km$^2$ in area. Morocco's Atlantic coastline is ~1,800 km in length, only 10 deep-water wells have been drilled and only three of them have penetrated the Lower Cretaceous reservoir interval that we are interested in, none of them optimally. We consider the Atlantic Coast to be underexplored and that the potential of the Lower Cretaceous play has been previously overlooked by the industry. The Atlantic region of Morocco has already demonstrated world class source rocks. Good quality lower Cretaceous reservoirs are exposed on the surface in the nearby Canary Islands and in the Moroccan onshore. We believe that there is an optimal combination of thick reservoir, source rock and trap in our licence with potential to host prospects with resources in excess of 250 mmbo. Morocco has amongst the best fiscal terms in the world and whilst deep water the operating environment is more benign compared to West of Shetland or Atlantic Ireland.

We have been provided with a large volume of modern 3D seismic data and we will be reprocessing around 1,300 km$^2$ focused on maturing the Falcon, Sandpiper prospects (amongst others) to drillable status.

This region of the Atlantic Coast in Morocco is already a focus for industry interest. To the south of Inezgane Genel has acquired 3,500 km$^2$ of 3D seismic in Sidi Moussa Offshore and ENI have farmed out a 30% interest to Qatar Petroleum in Tarfaya Offshore. Immediately to the north of and abutting Inezgane is the Mogador Offshore licence which is under active negotiation. We await with interest the announcement of an award of an exploration licence here. We consider that in Inezgane, we have a very prospective licence in an area that is re-emerging as an industry exploration hotspot.

We believe that the main reason that the exploration industry's major oil and gas companies have turned their interest to offshore Morocco again is that it shares similar geology and prospectivity to other Atlantic margin countries like Guyana and Senegal. Like Morocco these countries also had intermittent exploration drilling since the 1960s and were also "off radar" until very recent discoveries changed that mindset. In offshore Guyana in excess of 5 billion barrels of oil has been discovered and in offshore Senegal/Mauritania in excess of 50TCF and 1 billion barrels of oil has been discovered in recent years. We are optimistic that the Moroccan offshore can become a similar resurgence story.

Our work programme is one that plays to our technical strengths given our previous experience reprocessing three 3D surveys in Ireland against a tight timeframe and with excellent results. In due course we will be seeking to bring in a farmin partner and even at this early stage there is significant industry interest in our licence.

Non-financial Key Performance Indicators ('KPIs')

There were no reportable accidents or incidents in the year (2018: zero).

There were no new licence awards in the year, the Morocco Inezgane Offshore exploration permit was signed post year end. (2018: zero).

Financials

Revenue was £1.7 million (2018: £1.6 million). The average oil price achieved was US$66.7/bbl (2018: US$64.5/bbl) and the average Sterling exchange rate was US$1.29 (2018: US$1.35). An average of 91 boepd (2018: 94 boepd) was recovered from our three UK onshore fields. Production was down as a result of natural decline, but partially offset by a contribution from the West Firsby WF6 well following the workover.

Stringent cost controls continue to be implemented but additional one-off cost was incurred during the WF6 workover. Cost of sales was £1,682,000 (2018: £1,365,000).

Administrative expenses of £811,000 (2018: £967,000) included £102,000 on new licence evaluations (2018: £230,000).

The placing and open offer announced in November 2018 raised combined £4,299,000 gross and £3,962,000 after expenses (including £17,000 of non-cash expenses).

Net cash spent on operating activities was £661,000 (2018: cash spent £479,000).

Purchase of intangible fixed assets of £1,973,000 (2018: £1,336,000) was largely spent advancing the Irish portfolio.

The Group's cash balance at 31 July 2019 was £2.9 million (31 July 2018: £1.8 million).

The Group's cash flow forecast up to 31 December 2020 considers the continuing and forecast cash inflow from the Group's producing assets, the cash held by the Group at the year end, less administrative expenses and planned capital expenditure. Based on that forecast, the Directors have concluded that Group will be able to continue as a going concern and meet its obligations as and when they fall due. The critical assumption in reaching that conclusion is that the Wressle planning appeal scheduled for 5 November 2019 has a positive outcome and production commences at the forecasted rate in 2020. In the absence of incremental production from Wressle in 2020 then additional funding by the issuance of shares or sale of assets would be required. If additional funding was not available there is a risk that commitments could not be fulfilled, and assets would be relinquished.

HGD Mackay

Chief Executive Officer

The financial information set out below does not constitute the company's statutory accounts for 2019 or 2018. The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union on a basis that is consistent with the accounting policies applied by the group in its audited consolidated financial statements for the year ended 31 July 2019. Statutory accounts for the years ended 31 July 2018 and 31 July 2017 have been reported on by the Independent Auditors.

The Independent Auditors' Report on the Annual Report and Financial Statements for 2019 and 2018 were unqualified, but included a material uncertainty in relation to going concern, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 July 2018 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 July 2019 will be delivered to the Registrar in due course.

## Consolidated statement of comprehensive income

| For the year ended 31 July | Note | 2019 £000 | 2018 £000 |
|---|---|---|---|
| Revenue | | **1,713** | 1,634 |
| *Cost of sales* | | ***(1,682)*** | *(1,365)* |
| *Impairment of producing fields* | 2 | ***-*** | *(142)* |
| *Exploration write-back / (write-off)* | 1 | ***270*** | *(1,289)* |
| Total cost of sales | | **(1,412)** | (2,796) |
| **Gross profit/(loss)** | | **301** | (1,162) |
| Administrative expenses | | **(811)** | (967) |
| Finance income | | **43** | 10 |
| Finance expense | | **(187)** | (171) |
| **Loss before taxation** | | **(654)** | (2,290) |
| Taxation charge | | **-** | (341) |
| **Loss for the year** | | **(654)** | (2,631) |
| **Other comprehensive income** | | | |
| Items which will not be reclassified to profit /(loss) | | | |
| Loss on investment revaluation | | **(59)** | - |
| **Total other comprehensive loss** | | **(59)** | **-** |
| **Total comprehensive loss for the year attributable to the equity shareholders of the parent** | | **(713)** | (2,631) |

## Consolidated statement of financial position

| As at 31 July | Note | 2019 £000 | 2018 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 1 | **7,818** | 5,959 |
| Property, plant and equipment | 2 | **575** | 668 |
| **Total non-current assets** | | **8,393** | 6,627 |
| **Current assets** | | | |
| Investments | | **241** | - |
| Inventories | | **19** | 20 |
| Trade and other receivables | | **315** | 471 |
| Restricted cash | | **251** | - |
| Cash and cash equivalents | | **2,905** | 1,771 |
| | | **3,731** | 2,262 |
| **Total assets** | | **12,124** | 8,889 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **(1,086)** | (1,299) |

| | | |
|---|---|---|
| **Total current liabilities** | **(1,086)** | (1,299) |
| **Non-current liabilities** | | |
| Long-term provisions | **(2,917)** | (2,735) |
| **Total non-current liabilities** | **(2,917)** | (2,735) |
| **Total liabilities** | **(4,003)** | (4,034) |
| **Net assets** | **8,121** | 4,855 |
| **Capital and reserves attributable to equity holders** | | |
| Share capital | **4,447** | 3,014 |
| Share premium | **21,010** | 18,481 |
| Merger reserve | **2,868** | 2,868 |
| Retained deficit | **(20,204)** | (19,508) |
| **Total equity** | **8,121** | 4,855 |

These financial statements were approved by the Board of Directors and authorised for issue on 9 October 2019 and signed on its behalf by:

P Greenhalgh, Finance Director
Company registration number 5217946

## Consolidated statement of changes in equity

Attributable to the equity holders of the parent

| | Share capital £000 | Share premium £000 | Merger reserve £000 | Retained deficit £000 | Total equity £000 |
|---|---|---|---|---|---|
| **Balance at 1 August 2017** | 3,014 | 18,481 | 2,868 | (16,888) | 7,475 |
| **Comprehensive loss for the year** | | | | | |
| Loss for the year attributable to the equity shareholders of the parent | - | - | - | (2,631) | (2,631) |
| **Total comprehensive loss for the year** | **-** | **-** | **-** | **(2,631)** | **(2,631)** |
| **Contributions by and distributions to owners** | | | | | |
| Share based payment (note 21) | - | - | - | 11 | 11 |
| **Total contributions by and distributions to owners** | **-** | **-** | **-** | **11** | **11** |
| **Balance at 31 July 2018** | **3,014** | **18,481** | **2,868** | **(19,508)** | **4,855** |

| | Share capital £000 | Share premium £000 | Merger reserve £000 | Retained deficit £000 | Total equity £000 |
|---|---|---|---|---|---|
| **Balance at 1 August 2018** | 3,014 | 18,481 | 2,868 | (19,508) | 4,855 |

| | | | | | |
|---|---|---|---|---|---|
| **Comprehensive loss for the year** | | | | | |
| Loss for the year attributable to the equity shareholders of the parent | - | - | - | (654) | (654) |
| Other comprehensive loss attributable to the equity shareholders of the parent | - | - | - | (59) | (59) |
| **Total comprehensive loss for the year** | **-** | **-** | **-** | **(713)** | **(713)** |
| **Contributions by and distributions to owners** | | | | | |
| Issue of share capital | 1,433 | 2,546 | - | - | 3,979 |
| Issue of share options(note 21) | - | (17) | - | 17 | - |
| Share based payment (note 21) | - | - | - | - | - |
| **Total contributions by and distributions to owners** | **1,433** | **2,529** | **-** | **17** | **3,979** |
| **Balance at 31 July 2019** | **4,447** | **21,010** | **2,868** | **(20,204)** | **8,121** |

## Consolidated statement of cash flows

| For the year ended 31 July | Note | **2019 £000** | 2018 £000 |
|---|---|---|---|
| **Cash flows used in operating activities** | | | |
| Loss after tax from continuing operations | | **(654)** | (2,631) |
| Adjustments for: | | | |
| Share based payments | | **-** | 11 |
| Depreciation | 2 | **94** | 72 |
| Impairment of producing field | 2 | **-** | 142 |
| Exploration (write back)/ write-off | 1 | **(270)** | 1,289 |
| Finance income | | **(43)** | (10) |
| Finance expense | | **187** | 171 |
| Taxation charge | | **-** | 341 |
| Decrease in trade and other receivables | | **7** | 69 |
| Decrease/(increase) in inventories | | **1** | (6) |
| Increase in trade and other payables | | **17** | 73 |
| **Net cash used in operations** | | **(661)** | (479) |
| **Income taxes paid** | | **-** | - |
| **Net cash used in operating activities** | | **(661)** | (479) |
| **Cash flows used in investing activities** | | | |
| Purchase of property, plant and equipment | | **(1)** | - |
| Purchase of intangible assets | | **(1,973)** | (1,336) |
| Cash guarantee re Morocco | | **(251)** | - |
| Sale of part interest in licence – associated costs | | **(8)** | - |
| Interest received | | **16** | 10 |
| **Net cash used in investing activities** | | **(2,217)** | (1,326) |
| **Cash flows from/(used in) financing activities** | | | |
| Gross proceeds from issue of share capital | | **4,299** | - |
| Costs incurred on issue of share capital | | **(320)** | - |
| Decrease in payables relating to share capital issue costs | | **-** | (16) |
| Finance costs | | **(5)** | (3) |
| **Net cash from/(used in) financing activities** | | **3,974** | (19) |

| | 2019 | 2018 |
|---|---|---|
| **Net increase/(decrease) in cash and cash equivalents** | **1,096** | (1,824) |
| Exchange gain on cash and cash equivalents | **38** | 4 |
| Cash and cash equivalents at beginning of year | **1,771** | 3,591 |
| **Cash and cash equivalents at end of year** | **2,905** | 1,771 |

## Notes to the financial statements

### 1. Intangible assets

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| At 1 August | **5,959** | 5,276 |
| Additions | **1,869** | 1,972 |
| Disposal | **(10)** | - |
| Exploration write-off | **-** | (1,289) |
| At 31 July | **7,818** | 5,959 |

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

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| Ireland FEL 2/13 (Doyle A, B, C, Kilroy, Keane & Kiely) | **1,280** | 799 |
| Ireland FEL 3/13 (Beckett, Wilde, Shaw) | **1,255** | 1,093 |
| Ireland FEL 1/17 | **636** | 453 |
| Ireland LO 16/19 | **89** | 71 |
| Ireland FEL 4/19 (Inishkea) | **1,259** | 454 |
| Ireland LO 16/22 | **213** | 125 |
| UK PEDL143 (Holmwood) | **-** | 10 |
| UK PEDL180 (Wressle) | **2,867** | 2,745 |
| UK PEDL181 | **101** | 95 |
| UK PEDL182 (Broughton North) | **29** | 26 |
| UK PEDL299 (Hardstoft) | **12** | 12 |
| UK PEDL343 (Cloughton) | **77** | 76 |
| **Total** | **7,818** | 5,959 |
| **Disposal** | | |
| UK PEDL143 (Holmwood) | **10** | - |
| **Exploration write-off** | | |
| UK PEDL143 (Holmwood) | **-** | 1,145 |
| Ireland LO 16/21 | **-** | 97 |
| UK Block 41/24 | **-** | 47 |
| **Total** | **-** | 1,289 |

**Exploration write-back**

On 8 May 2019 the Group sold its interest in PEDL143 (Holmwood) to UK Oil & Gas Plc ('UKOG') for 25,951,557 shares in UKOG at 1.156p per share.

| | **2019** | 2018 |
|---|---|---|
| | **£000** | £000 |
| Consideration for the PEDL143 interest | **300** | - |
| Disposal costs | **(20)** | - |
| Book value of remaining interest | **(10)** | - |
| Exploration write-back | **270** | - |

If the Group is not able to or elects not to continue in any other licence, then the impact on the financial statements will be the impairment of some or all of the intangible assets disclosed above.

## 2. Property, plant & equipment

| | Furniture & computers £000 | Producing fields £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 August 2017 | 52 | 10,790 | 10,842 |
| Additions | - | - | - |
| At 31 July 2018 | 52 | 10,790 | 10,842 |
| Additions | 1 | - | 1 |
| At 31 July 2019 | **53** | **10,790** | **10,843** |
| **Depreciation, depletion and impairment** | | | |
| At 1 August 2018 | 49 | 9,911 | 9,960 |
| Charge for year | 2 | 70 | 72 |
| Impairment in year | - | 142 | 142 |
| At 31 July 2018 | 51 | 10,123 | 10,174 |
| Charge for year | 1 | 93 | 94 |
| Impairment in year | - | - | - |
| At 31 July 2019 | **52** | **10,216** | **10,268** |
| **Net Book Value** | | | |
| At 31 July 2017 | 3 | 879 | 882 |
| At 31 July 2018 | 1 | 667 | 668 |
| **At 31 July 2019** | **1** | **574** | **575** |

The producing fields referred to in the table above are the production assets of the Group, namely the oilfields at Crosby Warren and West Firsby, and the Group's interest in the Whisby W4 well, representing the Group's three cash generating units.

The carrying value of each producing field was tested for impairment by comparing the carrying value with the value-in-use. The value-in-use was calculated using a discounted cash flow model with production decline rates of 7-12%, Brent crude prices rising from US$70 per barrel in 2020 to US$74 per barrel in 2022 increasing by inflation from 2022 onwards and a pre-tax discount rate of 20%. The pre-tax discount rate is derived from a post-tax rate of 10% and is high because of the applicable rates of tax in the UK. Cash flows were projected over the expected life of the fields which is expected to be longer than 5 years. There was no impairment in the year (2018: £142,000 impairment relating to the West Firsby site).

**Sensitivity to key assumption changes**

Variations to the key assumptions used in the value-in-use calculation would cause impairment of the producing fields as follows:

| | Further impairment of producing fields £000 |
|---|---|
| **Production decline rate (current assumption 7-12%)** | |
| 12% | 312 |
| 15% | 602 |
| **Brent crude price per barrel (current assumption US$70/bbl in 2020 rising to US$74/bbl in 2022)** | |
| $70 flat | 168 |
| $65 flat | 392 |
| **Pre-tax discount rate (current assumption 20%)** | |
| 25% | 62 |
| 30% | 29 |

*** * ENDS * ***

***This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.***


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