Europa Oil & Gas (Holdings) plc

Annual Report and
Financial Statements 2022

Who we are

Europa Oil & Gas (Holdings) plc is an AIM-quoted exploration and production company focused on building a balanced portfolio of producing, appraisal and exploration assets in the UK, Atlantic Ireland and Morocco with minimal emissions, whilst also looking to repurpose legacy UK wells for geothermal energy generation.

What we do

1

Transformational progress in operations

Read more on page 02

2

Strong prospects for future growth

Read more on page 10

3

Security of supply for the UK

Read more on pages 18 to 19

4

Helping reach net zero goals by proving local supply and reducing imports

Read more on page 19

Cover photo: Wressle production facilities

Strategic Report

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To find out the most up-to-date information, visit our website: www.europaoil.com

Financial and operational highlights

Our 2022 performance

Europa Oil & Gas (Holdings) plc, the AIM-quoted UK, Ireland and Morocco focused oil and gas exploration, development and production company, announces its final audited results for the 12-month period ended 31 July 2022.

Financial performance

Revenue **(£m)**

£6.6m

2022 **6.6**
2021 **1.4**
1.2

Net cash generated in operating activities **(£m)**

£2.5m

2022 **2.5**
***(0.5)**
2020 **(0.8)**

* Used in operations

Pre-tax profit **(£m)**

£1.4m

1.4
2021 **(0.85)**
2020 **(5.4)**

Cash balance **(£m)**

£8.3m

2022 **8.3**
2021 **0.9**
2020 **0.8**

The 2021/2022 period has seen significant change at Europa and this is clearly demonstrated in our numbers. Revenue from operating activities has quadrupled and net cash generated for the period is £2.5 million, resulting in a healthy balance sheet on which to continue to execute on our stated strategy of building a more balance portfolio of assets.

Wressle continues to perform above expectations and further development activities to increase production through implementing a gas solution and drilling the Penistone horizon within the Wressle field are planned over the next 12-18 months. In addition, we plan to drill the Broughton North prospect, which is a Wressle lookalike and can be produced through the existing infrastructure at Wressle.

We will also continue to seek new appraisal opportunities to add to our portfolio. The Serenity appraisal well was disappointing, but the data that we have acquired will help optimise the development of the field and the funds spent on the appraisal well will now go to offset our exposure to the Energy Profits Levy.

Our assets all supply (or will supply when in production) local markets and as such help to satisfy local demand for hydrocarbons with minimal total emissions. This is epitomised by our Inishkea exploration prospect offshore Ireland, which could be tied into the existing infrastructure at Corrib and has the potential to meet Ireland's domestic retail demand for the next 17 years. This would displace imported gas and significantly reduce the emissions associated with Irelands gas consumption.

These are exciting times for Europa with plenty of operational activities that can all deliver additional shareholder value whilst we simultaneously continue to build on our asset base.

Simon Oddie
Chief Executive Officer

Operational highlights

Onshore UK

163%

Net production increases 163% to 245 bopd following excellent Wressle performance (2021: 93 bopd)

- First oil at Wressle achieved in January 2021
  - » Post proppant squeeze gross production rates of 500 bopd increased throughout the period to over 750 bopd
  - » Net share of Wressle production at 597 bopd equates to 179 bopd (Europa 30% interest)
  - » With an estimated break-even oil price (excluding Europa's corporate overheads) of US$16.1 per barrel, Wressle production is highly profitable at current oil prices
  - » Further resources in the Wingfield Flags and Penistone Flags reservoirs are being planned for development and have the potential to materially increase net reserves
  - » Gas monetisation project under development with potential for significant oil production gains as a result
- Total net production of 245 boepd was produced from Europa's UK onshore fields during the year with Wressle contributing roughly three quarters of this and the remainder coming from the three older fields
- CausewayGT and geothermal project partner Baker Hughes identified Europa's West Firsby oil field in the East Midlands as a potential candidate for developing a closed-loop geothermal system
- Future potential for West Firsby to continue delivering revenue and for additional well stock to be repurposed to generate emission-free geothermal energy, directly in line with the Company's ESG strategy

Offshore UK

25%

Acquisition of a 25% interest in the Serenity discovery in the North Sea

- In March 2022, we announced the proposed farm-in to the Serenity appraisal well from i3 Energy plc which involved acquiring a 25% interest by paying 46.25% of the cost of the well
- This was accompanied by a successful equity raise of £7 million at a price of 1.8 pence per share
- This fulfilled the Company's promised goal of adding an appraisal asset to the Europa portfolio and is in line with our long-term strategy to create a balanced portfolio of high-quality assets

Offshore Ireland

Lower risk / very high reward infrastructure-led exploration in proven gas play in the Slyne Basin

- Farm-out initiative is continuing on 100%-owned Licence FEL 4/19 which holds the flagship 1.5 tcf Inishkea prospect adjacent to existing infrastructure at the producing Corrib gas field
- Completed all work commitments for the first phase of the licence

Morocco

Farm-out of Inezgane licence in the Agadir Basin

- Europa has a 75% interest in Inezgane and operatorship of the licence covering an area of 11,228 km²
- Inezgane represents a high-impact exploration opportunity in a highly underexplored area of the world – complementing Europa's strategy of building a balanced portfolio of assets
- Recent evaluation identified a significant volume of unrisked recoverable resources, in excess of 1 billion barrels (oil equivalent), in the top five ranked prospects alone
- Morocco offers an attractive investment opportunity with excellent fiscal terms. Several major and mid-cap companies already hold acreage there, including ENI, Hunt and Genel
- One-year extension to initial phase of the licence to November 2022 granted to allow for time lost as a result of Covid-19
- Farm-out exercise has continued throughout the year

Board

- Appointment of Will Holland as CFO and Executive Director in June 2022

Post reporting period events

(£2 million below budget, net to Europa)

- The Serenity appraisal well commenced drilling in September and was completed in early October. The well did not encounter any oil-bearing sands but has provided valuable technical data and furthered our understanding of the field. The Company in conjunction with operator i3 Energy is currently assessing development options for the field
- The net cost to Europa of the Serenity well is forecast to be £4.8 million (£2 million below budget net to Europa), which is expected to provide tax relief against the Energy Profits Levy (Windfall Tax) on the Company's profits generated from its ongoing onshore production
- Consent granted by the Irish authorities to extend the first phase of licence FEL 4/19 to 31 January 2024
- The extension will enable further technical work and allow more time to secure a partner to advance development of the licence
- On 8 September 2022 the Company entered into a loan agreement with Union Jack Oil plc ("UJO"). The key features of the loan were: £1 million loan amount, 18-month term, interest rate of 11% per annum, repayable at any point during the term without penalty and secured against 10% interest in the Wressle field (PEDL180, and PEDL182). The loan was to provide additional liquidity during the drilling of the Serenity appraisal well. The loan was repaid in full on 18 October 2022

At a glance

A balanced portfolio of production, appraisal and exploration assets

Our portfolio

We have a diverse portfolio of hydrocarbon assets at various stages of the development cycle including exploration and production.

Read more on pages 16 and 17

Serenity

Inishkea prospect

1.5tcf

Potential gas from Inishkea prospect

Wressle

750 bopd

Barrels per day delivered from site

Key

- Production
- Exploration
- Appraisal
- Development

Investing in domestic energy to solve a global problem

Europa's objective is to participate actively in the global energy transition to sustainable renewables by being a preferred partner for domestic supply of hydrocarbons as this transition takes place. By being a good custodian of the hydrocarbon resource and developing assets that are in areas of demand, Europa provides a valuable resource where it is needed and as such helps minimise the total emissions associated with consuming hydrocarbons.

The UK Government recognises that delivering a low-carbon future will be achieved by protecting infrastructure already present in the UK Continental Shelf through continued activity. Hydrocarbons are considered a key pillar of the UK Government's Energy Security Strategy, with domestic production of oil and gas projects continuing to garner strong support.

Equally, Ireland is well positioned to utilise its existing gas infrastructure in order to minimise the total emissions associated with its energy consumption by targeting domestic exploration opportunities and prioritising these above gas imports.

Our balanced portfolio of onshore and offshore UK and Ireland hydrocarbon assets at various stages of the development cycle, including production and appraisal, ensures that Europa remains well-placed to deliver affordable energy, and we will continue to explore potential development and exploration opportunities to expand our diverse asset portfolio.

Read more about our operations on pages 16 and 17

Delivering for our stakeholders

Europa is committed to creating stakeholder value by building a balanced portfolio of exploration, appraisal and production assets in the UK, Atlantic Ireland and Morocco.

With a focus on domestic supply with minimal emissions, we will continue to evaluate and acquire quality UK and North Sea assets wherever they become available, provided that these can be acquired and developed on acceptable commercial terms and within the transition context.

Shareholders

Government regulators

Joint venture partners

Suppliers and advisers

Local community

Read more about our engagement channels on page 23

Experienced team

Europa is led by a highly experienced Board and management team with an extensive knowledge of the oil and gas sector and a proven track record of project monetisation, focused on generating substantial shareholder value.

£6.6m

Revenue

380%

Increase in revenue from 2021

£2.5m

Net cash generated by operating activities

Read more about our Board members on pages 34 and 35

Country	Area	Licence	Field prospect	Operator	Equity	Status
UK	East Midlands	DL 003	West Firsby	Europa	100%	Production
		DL 001	Crosby Warren	Europa	100%	Production
		PL 199/215	Whisby-4	BPEL	65%	Production
		PEDL180	Wressle	Egdon	30%	Production
		PEDL181		Europa	50%	Exploration
		PEDL182	Broughton North	Egdon	30%	Exploration
		PEDL299	Hardstoft	Ineos	25%	Exploration
		PEDL343	Cloughton	Egdon	40%	Exploration
	Central North Sea	P.2358, BLOCK	Serenity	i3	25%	Appraisal
Ireland	Slyne Basin	FEL 4/19	Inishkea, Corrib North	Europa	100%	Exploration
Morocco	Agadir Basin	Inezgane	Falcon & Turtle	Europa	75%	Exploration

Investment case

Four reasons to invest

1

Balanced and diverse portfolio of producing, appraisal and exploration assets

Europa is well placed to continue its production, development, appraisal and exploration of existing onshore and offshore UK assets, alongside the Company's projects in Ireland and Morocco. The Company is committed to continuing to build on its asset portfolio by adding further appraisal opportunities that can drive shareholder value in the near term.

245

Barrels of oil per day produced throughout the period

$104.85/bbl*

Average crude oil price per barrel in 2022

* Source: www.statistica.com
As at September 2022

2

Pivotal role in the UK's energy transition

Hydrocarbons are considered a key pillar of the UK Government's Energy Security Strategy, with domestic production of oil and gas projects continuing to garner strong support.

Significantly, the UK Government is committed to providing additional investment for the North Sea industry, where Europa has farmed-in to the Serenity block. The UN has forecast a global oil supply gap during transition to net zero and finding additional domestic reserves is essential to reducing UK imports and global emissions, providing greater accountability and transparency of emissions to accelerate net zero.

Governments and environmental groups alike agree that a key part to helping achieve net zero goals is to increase domestic supply which minimises transportation emissions, and the gas liquification emissions, associated with importing hydrocarbons.

2050

Target for net zero carbon emissions

ESG Committee and strategy in action

3

Robust financial foundations providing platform to explore additional E&P opportunities

With a healthy balance sheet and ongoing production that generates profits which, due to ongoing investment, are largely shielded from the Energy Profits Levy (Windfall Tax), Europa is in a strong financial position to develop its existing assets where necessary and build on the existing portfolio targeting appraisal opportunities.

£6.6m

Revenue

£8.3m*

Cash

* Including £6.6m committed to Serenity and £0.3m to Inezgane

4

Opportunities to develop new projects

The Board and management team at Europa have a history of successfully identifying and monetising new upstream opportunities and, with a robust balance sheet and ongoing cash generative production, the Company is ideally placed to continue to seek and acquire further assets. The strategic acquisition focus is on assets that contribute to domestic supply and those that utilise existing infrastructure.

26.1bn boe

Total opportunity of the North Sea, as calculated by the NSTA

Stena Don, Serenity farm-in

Wressle

Wressle is our flagship UK onshore asset, situated in North Lincolnshire, England.

The field was discovered in 2014 by the Wressle-1 conventional exploration well which intersected three productive reservoir horizons. The oil discovery straddles the PEDL180 and PEDL182 licences, and Europa holds a 30% stake alongside Union Jack Oil (40%) and operator Egdon Resources (30%).

Oil flow at Wressle commenced in Q1 2021, and the oilfield has consistently performed above expectations, generating high levels of production and revenues. Wressle remains on track to become the second most productive conventional producing onshore oilfield in the UK behind the prolific Wytch Farm in Dorset.

Aimed at increasing Wressle's value and complementing the field's strong existing output, Europa has developed the Field Development Plan alongside joint venture partners Egdon Resources and Union Jack Oil. The plan was approved by the North Sea Transition Authority ("NSTA") in May 2022, ensuring that the Wressle project moved from an extended well test to production.

Europa is committed to advancing the development plan and consenting process to enable production from the Penistone Flags reservoir where gross mid-case contingent resources of 1.5 million barrels of oil and 2 billion cubic feet of gas have been independently reported. In addition, the Wressle partners are looking to drill a Wressle lookalike prospect on the North Broughton licence adjacent to Wressle. If successful, this could be brought online quickly and cost effectively.

Bolstered by the strong performance of Wressle, Europa continues to explore potential onshore UK development and production opportunities to develop new revenue streams, generating additional value for shareholders whilst providing the UK Government with further options to increase its indigenous supply of energy, a prominent concern given the prevailing energy security crisis.

Serenity farm-in

In April 2022, Europa announced the signature of the Serenity farm-in agreement with i3E in respect of UK Seaward Production Licence P.2358, Block 13/23c, subject to approval of the NSTA to the creation of a new block within Licence P.2358 and to assignment of an interest in the Licence and New Serenity Block to Europa.

Following NSTA approval in August 2022, Europa acquired a 25% interest in the Central North Sea prospect. Europa is paid 46.25% of the appraisal well cost, equating to a 1.85 to 1 carry. The well was drilled in October for a net cost to Europa of £4.8 million, but unfortunately did not encounter oil-bearing sands. However, the well did significantly improve the sub-surface understanding of the Serenity structure and Europa, with its partner i3E, is currently evaluating monetisation routes for the oil encountered in the discovery well. Serenity is strategically located near existing infrastructure in the North Sea and a cost-effective tieback could be the preferred development solution once all options have been fully assessed.

The Serenity farm-in was in line with Europa's overarching strategy to acquire an appraisal asset, adding to its existing producing and high impact exploration assets, and thereby creating a more balanced asset portfolio for its investors.

Read more about our Serenity operations on page 16

Wressle wellhead

Chairman's statement

Progressing a new phase in our growth trajectory

Looking forward, we are excited about undertaking further development on the Wressle field with a planned gas project unlocking further upside potential for oil production rates from the field.

The financial year 2021/22 has been an exceptionally busy period for Europa and positions the Company very strongly for the future.

Despite the ongoing Covid-19 pandemic, the onset of war between Russia and Ukraine, and continuing global economic volatility, the period delivered outstanding operational results for Europa. Our onshore UK Wressle oilfield came onstream in January 2021 and has continued to outperform expectations. It has been the backbone of our production where our total average net rate for the period is 245 bopd, boosting revenues and strengthening our balance sheet.

As well as our onshore operational success at Wressle, we also farmed into the Serenity field offshore UK, taking a 25% interest in the Serenity oil discovery operated by i3 Energy ("i3E"). The appraisal well was disappointing and did not encounter oil-bearing sands; however, together with our partner i3E, we are assessing the various development options to bring the field into production.

Looking forward, we are excited about undertaking further development on the Wressle field with a planned gas project unlocking further upside potential for oil production rates and gas sales from the field. This could add an additional 50% to oil production rates, further boosting Europa's revenues. We continue to investigate the potential of the West Firsby field as a geothermal production site, providing a future role for our mature oil fields. Within our offshore Ireland acreage, the Inishkea prospect alone has potential to entirely satisfy the Irish domestic retail gas requirements for the next 17 years, and I am delighted that our application to extend the first phase of the licence to 31 January 2024 has been granted. This will enable us to continue with our technical studies and provide more time to find a project partner for FEL 4/19.

Onshore UK

The past year has seen Europa's net oil production increase materially thanks to the proppant squeeze operation at our fourth onshore field, Wressle, in the West Midlands. Following the successful execution of the field development plan in 2020/21, which included the safe completion of operations to recomplete the Wressle-1 well, followed by the reperforation of the Ashover Grit reservoir interval and the proppant squeeze, Wressle hit an initial gross production rate in August 2021 of over 500 bopd gross, exceeding the pre-operations target. Following upgrades to the production facilities, these initial flow rates continued to grow, reaching the current rate of 700-750 bopd, or net 210-225 bopd to Europa. At current oil prices, this is having a materially positive impact on our balance sheet.

At the moment, oil production is constrained by the limits imposed on the incineration of gas from the field of ten tonnes per day. However, alongside our partners we plan to market the gas contained within the reservoir, with various monetisation options being considered including gas to power and a short pipeline (approximately 600 metres) into the local gas distribution network. Once a gas monetisation solution is in place, the well will be able to produce at unrestricted oil rates which will materially impact the cash flows associated with the field. This will also allow the field to be further developed by targeting the contingent resources located in the Penistone Flags reservoir and the Broughton North prospect which is a Wressle lookalike.

We continue to develop our strategy of contributing to the clean energy transition in the UK following the Memorandum of Understanding ("MOU") we signed with Causeway Geothermal in June 2021. The collaboration will explore utilising existing infrastructure and wells for geothermal applications at West Firsby to deliver clean, reliable and cheap sources of heat. Studies will determine if commercial deployment of geothermal technologies are viable at the site. We have the potential to convert onshore legacy oilfields into sources of clean and reliable energy forms as part of our ESG strategy and Europa's stated desire to participate in the national energy transition. A successful project would deliver long-term benefits to our shareholders, the UK's national energy grid and the local community in West Firsby.

Offshore UK

Europa moved into the UK offshore arena by farming into the Serenity field in the Central North Sea. In March 2022, we announced that we were acquiring a 25% interest in the Serenity oil discovery operated by i3E, which was funded by a highly successful equity raise of £7 million.

Unfortunately, the appraisal well encountered water-wet sands but that data from the well has significantly improved our understanding of the field as a whole and we are now working to optimise the development of the field, which may include a tie-back to existing infrastructure.

Offshore Morocco

We continue to work on the proposed farm-out of the Inezgane offshore permit located in the Agadir Basin in Morocco. Europa has a 75% interest in Inezgane and operatorship of the licence covering an area of 11,228 km^2. Inezgane represents a high-impact exploration opportunity in an underexplored area of the world and our recent evaluation identified a significant volume of unrisked recoverable resources.

Offshore Ireland

Offshore Ireland, the Company's focus remains on its gas interests in the Irish Atlantic located in close proximity to the already producing Corrib gas field. The Company has completed all work commitments for the first phase of its 100%-owned FEL 4/19 licence, and in March 2022 applied to the Department of the Environment, Climate and Communications ("DECC") for an extension to the first phase in order to carry out further technical studies and allow more time to secure a farm-out of the licence. The application to extend the licence to 31 January 2024 was granted on 2 November 2022.

FEL 4/19 contains the large, low risk, Inishkea gas prospect and is a strategic asset that can potentially provide a reliable source of low emission energy for Ireland and play a key role in the transition to renewable green power. A successful discovery at Inishkea could satisfy the Irish domestic retail gas demand for the next 17 years. Gas from the Corrib field, adjacent to the Inishkea prospect, is one of the lowest carbon-intensity gases in Europe, much lower than long distance pipeline gas from Norway, the UK or the Russian gas previously piped to Europe. Given that Ireland will continue to require gas into the foreseeable future, having recently agreed plans to build new gas-powered electricity plants, it makes sense to keep this potentially valuable source of indigenous gas available. We are therefore delighted that the requested licence extension was granted, which will allow the Company to carry out further technical studies and seek a project partner.

Board changes

This past year we have seen one major change at senior management and board level with the appointment of Will Holland as permanent CFO in June 2022. Will brings a wealth of corporate, financial and M&A experience in the upstream sector that will be of crucial importance as we continue to grow the business, and I look forward to working with him at this very exciting time for the Company.

Conclusion and Outlook

The Company has been very active during this financial year and we are starting to reap the rewards of executing on our strategic vision. We have strong cash flows from our onshore production, further development opportunities at Wressle and Serenity as well as material upside potential with our exploration assets. The oil price has remained strong and traded above $100/bbl for much of the period resulting in record cash flow for Europa.

Our stated goal to add further appraisal assets to the portfolio resulted in the Serenity farm-in announced in March. Although the subsequent appraisal well was disappointing, it has provided us with valuable sub-surface data that will be incorporated into our reservoir model and we look forward to working with i3E on how best to develop the existing discovery. The Board continues to believe that the Company would benefit from further appraisal and early development projects in our portfolio and supported by our strong cash flows we will continue to seek opportunities to acquire these types of assets. Our aim remains to engage in potentially high reward activity without putting the Company's balance sheet at risk.

Having come through the Covid-19 restrictions we have opened a new London office from where we will continue to develop our existing assets and grow the portfolio. The hydrocarbons that we produce and new fields that we develop all contribute to supplying the domestic demand of their local regions and as such displace imported hydrocarbons and reduce the emissions associated with hydrocarbon consumption. This strategy to supply local demand will continue to drive our activities as we focus on growing our existing portfolio both organically and via acquisitions which may add to our existing assets to create a more balanced portfolio.

Finally, on behalf of the Board, I would like to thank the management, employees and consultants for their hard work on behalf of our shareholders and stakeholders during the past year. We have achieved a lot and will continue to build on the solid foundations that we now have in place.

Brian O'Cathain
Non-Executive Chairman

11 November 2022

The opportunity for Europa

The UK is a net importer of oil and gas with 88% of crude oil and condensate coming from Norway, USA, Libya, Russia and Nigeria in 2021[1]. Total crude and refined oil and gas imports in 2021 cost the UK £49.6 billion[2].

The UK intends to end imports of Russian oil by end of 2022[3] and the North Sea Transition Authority is working closely with industry on improving security of supply while also ensuring emission reduction targets are met[4]. At present, the UK reliance on Norway is high, accounting for 50% of the UK's crude oil and gas imports[2]. This is set to increase should there be limited investment in new North Sea production facilities[4] further increasing concerns regarding energy security.

In 2021 total production and processing GHG emissions intensity for the UK Continental Shelf was ca. 30 kgCO_2e/boe[5]. Norwegian imports come with a lower GHG emissions intensity of ca. 18 kgCO_2e/boe[6], largely due to electrification of many platforms. However, the imports making up the remaining 50% have higher emissions and can also be associated with lower ESG credentials. The average GHG emissions intensity of oil and LNG imports from other countries ranges between 50-140 kgCO_2e/boe[7,8], significantly higher than the 30 kgCO_2e/boe[5] UK average.

Sources on next page.

Our strategy

Building a balanced portfolio

Building a portfolio of assets in established basins with existing infrastructure to maximise value with minimal emissions.

The North Sea opportunity[1]

26.1bn boe

Total opportunity value

According to the NSTA, within the North Sea there are:

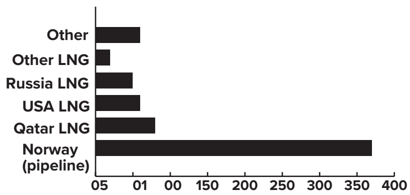
- 4.4 billion boe of 2P reserves
- 6.8 billion boe of discovered undeveloped resources
- 3.7 billion boe of mapped leads and prospects
- 11.2 billion boe estimated unmapped resources

Where there is room for improvement

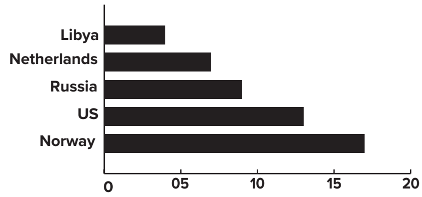
50%

The UK imports around 50% of its gas from the international market[2]

Sources of UK gas imports (million tonnes)[3]



Sources of UK oil imports (million tonnes)[3]



There is no treaty which regulates energy production and exploration. This is governed by domestic laws of each country.[4]

The average GHG emissions intensity of oil and LNG imports from other countries ranges between 50-140 kgCO2e/boe[5], significantly higher than the 30 kgCO2e/boe[6] UK average.

An increase in domestic production of oil and gas would mean less reliance on imports, operating under well-regulated domestic jurisdictions, and more control over emissions.

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Strategy

Europa is focused on building a balanced portfolio of producing, appraisal and exploration assets in the UK, Atlantic Ireland and Morocco.

We continue to work towards developing significant value-accretive opportunities and late-stage appraisal and development projects whilst ensuring the Company minimises risk.

Building a specific strategy to develop is a dynamic process controlled by prevailing commodity prices. Current oil and especially gas prices are strong but these fundamentals are challenging because they may be short term whereas most petroleum projects are more long term. This situation requires the Europa executive team to constantly evaluate mid- to long-term projects. Small companies in the oil and gas industry are confronting significant strategic challenges both political and market driven and on a daily basis.

The frontier exploration strategy with some local production paying the bills which was previously pursued by Europa has been modified to have a lower risk appraisal strategy matching the current industry demands and with a shorter time scale from investment to production. With such a history Europa still considers itself very much an "E&P" company.

Recent high gas prices, and with gas being a clean transition fuel, has made gas opportunities attractive, especially those located near the market. The less transport and processing of the gas the greener the credentials.

Smaller companies are facing challenging times for expansion, projects are more expensive and can be more technically challenging, which pushes out the risk envelope. Added to this, the equity markets are tighter as many funds now choose not to invest in the petroleum sector. As such, smaller companies must find different ways to grow by using their existing projects and carefully selecting new ones to expand their operations while maintaining profitability at a time when regulation, environmentalism and surprise taxes makes cash accumulation for more capital-intensive projects more challenging.

Smaller companies must strike a balance between these challenges. Europa will focus on projects where we can see a competitive edge and where we can scale up while at the same time pursuing value-added diversification to ensure effective risk management.

The Wressle discovery still has great potential with undeveloped gas and further possibilities for oil which will form the foundation for a substantial business for the immediate future.

Europa is a very experienced onshore operator and for the time being intends to be a non-operator offshore. However, the many disciplines involved in the offshore petroleum industry are available from very competent service companies, which means that opportunities to operate offshore could still be considered.

For small E&P companies, access to finance affects the rate of growth of the company. Therefore all new opportunities must not only satisfy our own rigorous technical assessment but must also be able to attract the necessary investment finance to appraise and develop the asset.

Assets

We have a diverse portfolio of hydrocarbon assets at various stages of the development cycle including exploration and production.

North Sea

The UK Government has pledged to accelerate all sources of domestic energy, including North Sea oil and gas production, and remains committed to providing additional investment for the North Sea region, where Europa has farmed into the Serenity block.

Europa recognises the myriad of opportunities that exist in the North Sea, and continues to explore potential development and appraisal projects to further diversify its asset base and generate additional shareholder value.

Sustainability

ESG Statement of Intent

Europa Oil & Gas is working to contribute to local energy security and the global transition to a low carbon economy while delivering value to all stakeholders. The Company recognises that a wide range of Environmental, Social and Governance ("ESG") topics form the basis of how it conducts its business and operations. In order to achieve these ambitions, Europa has started a rigorous process to formalise its ESG strategy and ensure key ESG principles are integrated into its everyday actions.

Environment

Responsible support for local energy security

We believe in acting as responsible custodians of the physical spaces which we occupy as a company, with the utmost respect for the environment in which we operate.

Social

Stakeholder benefit, support and equality

Europa commits to being fair and inclusive in all our interactions with our employees and partners, including those communities with whom we interact.

Governance

Ethical integrity and diligent risk management

As an AIM-quoted entity Europa follows all required reporting and corporate governance guidelines. To go beyond the minimum requirements, our ESG Committee has oversight on the integration of our ESG strategy with our overall Company development and activities.

Building a solid foundation

As an AIM-quoted company, Europa follows the QCA Code for small to mid-size quoted companies, as well as all regulations, requirements and best practice guidance given by the London Stock Exchange. More detail on the governance structures that support responsible management of the Company can be found on pages 28 to 41.

As an operator and joint venture partner in the oil and gas industry, Europa is subject to many stringent regulatory requirements at local and national levels. The Company has established key policies and procedures to guide their operations and diligently abides by all laws and regulatory requirements applicable to its business activities.

With a goal of going beyond the necessary ESG-related requirements, at the end of 2021 the Europa Board formed an ESG Committee. This has a key role in ensuring focused discussion of ESG topics takes place at regular meetings, and that the ESG principles adopted by Europa are integrated into the Company's planning and wider strategy.

The ESG Committee's first action was to approve a project to review the Company's position, formalise its ESG strategy, and develop a plan to further build on its commitments over the coming years. This project was kicked off in Q3 of 2022 and will continue into 2023 with integration right across the business.

Material topics

As a first step towards formalising Europa's ESG strategy, a Materiality Assessment was conducted. This identifies the topics that are material to the Company's stakeholders and its business. An internal review was undertaken by the senior management team using a list of topics from the Global Reporting Initiative (GRI) 11: Oil and Gas Sector 2021 guidelines as a basis.

The principle of Double Materiality was applied when ranking each topic on a matrix as per the diagram below. The process followed initially looked at the importance of each topic to Europa's stakeholders and within the physical environment in which they operate. Secondly, the importance and risk of each topic to the Europa business during the current reporting period was considered. It is noted that this Materiality Assessment represents a snapshot in time, and some topics are expected to change in importance in the next two to three years as Europa's operations evolve. For example, 'Closure and Rehabilitation' is not currently defined as a material topic, but as planning and activities for decommissioning of ageing assets commences, this topic will become material to Europa. The Company plans to review and update the Materiality Assessment to reflect the various developments that occur.

Through this process, nine key areas of focus were identified and linked to relevant UN Sustainable Development Goals. These nine areas have been utilised to develop and focus the Group's ESG strategy to ensure it is both representative and impactful.

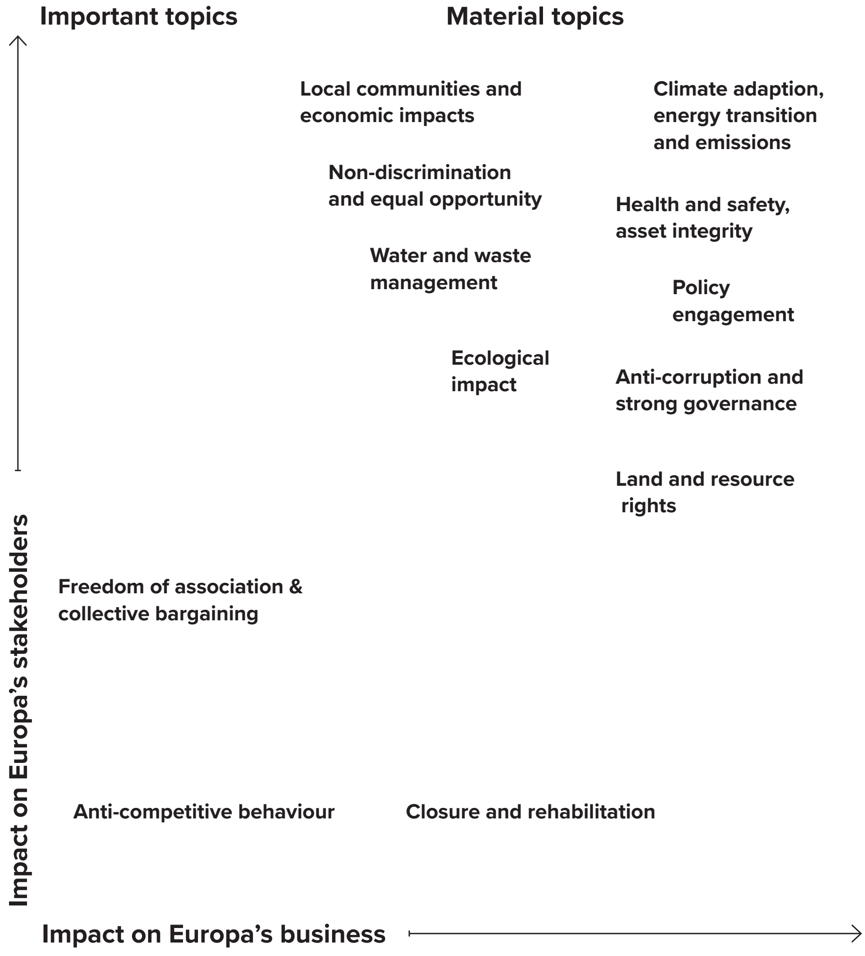
What is a Materiality Assessment?

Conducting a Materiality Assessment helps an organisation identify and understand the issues that matter most to both its stakeholders and its business activities.

'Double Materiality' promotes a more holistic assessment of an organisation's impacts by taking a dual perspective:

- an inside-out perspective on a company's impact on people and the environment
- an outside-in perspective on how ESG issues affects a company's performance and development

Identifying which topics are material to an organisation and its stakeholders is a good way to form a solid foundation for building an impactful ESG strategy.



Sustainability

Strategy and next steps

High-level ESG strategy

Europa has defined a high-level strategy centred around the three ESG pillars of Environment, Social and Governance.

The Company has defined a series of goals which represent its intents and ambitions whilst delivering on its overarching goal of "contributing to local energy security and the global energy transition to a low carbon economy to deliver value to all stakeholders."

During the coming months, alongside a full awareness of the emissions generated by Europa, the next step in developing the ESG strategy will focus on defining performance metrics that align to each of the identified goals. These will all relate to and represent the nine material topics identified in the Materiality Assessment. This will ensure the Company has a clear understanding of its performance against the topics that are most important to its activities and stakeholders, and enable it to demonstrate continual improvement.

Environment

Responsible support for local energy security

Climate adaption, energy transition and emissions

Water and waste management

Ecological impact

High-level strategy goals

- Contribute to local energy production to reduce imports
- Minimise emissions wherever possible
- Employ strong environmental stewardship
- Support the global low carbon energy transition

Social

Stakeholder benefit, support and equality

Health and safety and asset integrity

Local communities and economic impacts

Non-discrimination and equal opportunity

High-level strategy goals

- Prioritise safe operations
- Healthy workers and communities
- Create value for all stakeholders
- Actively work to address any inequalities

Governance

Ethical integrity and diligent risk management

Policy engagement

Anti-corruption and strong governance

Land and resource rights

High-level strategy goals

- Highest standards of ethics and compliance
- Undertake responsible management of risks
- Act as an engaged and supportive partner
- Commitment to honesty and transparency

Next steps to demonstrate commitment to continual improvement

The management and Board of Europa Oil & Gas are committed to continually improving its performance and transparently reporting its progress. The Company will build on this foundation by defining a set of relevant, measurable targets and metrics that will enable it to measure, track and improve its performance in relation to its material topics.

Stakeholder engagement

Europa recognises it has a wide variety of stakeholders who require different types of information, at different times, and in different ways.

An overview of the Company's stakeholders and how it engages with them is presented on page 23.

As part of building on its ESG strategy and understanding the full impact of its activities, Europa will expand its stakeholder and supply chain mapping to ensure a thorough understanding of who is included in each stakeholder group. The Company also commits to regularly reviewing its methods of engaging with its stakeholders to ensure effective and timely communication.

As part of this process, the Company will also investigate additional initiatives that it can implement that will both reduce negative impacts caused by its operations and enhance positive contributions to the environment and communities in which it operates. Europa will build on the existing initiatives already underway which include:

- Geothermal scoping study: Europa is working with Causeway Geothermal (NI) Ltd. to carry out studies to assess the potential of Europa's West Firsby field as a test site for sustainable, clean geothermal energy systems
- Plan towards zero flaring: Europa has used its influence as a non-operating partner to secure joint venture agreement to work towards zero flaring at Wressle
- Community funds: Europa contributes to community funds, which provide funding and assistance to selected local charities, good causes and initiatives in the local East Midlands communities in which it is active in the onshore UK

ESG reporting is currently a rapidly evolving area with new frameworks under development that are aiming to consolidate and streamline multiple frameworks. Europa is working to understand the various ESG reporting frameworks and associated regulatory requirements. During the next year Europa will select the most appropriate schemes and begin working towards reporting against these disclosures to enable transparent and honest reporting of its activities to its stakeholders.

What are the UN Sustainable Development Goals?

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future.

At the heart of "Agenda 2030" are the 17 Sustainable Development Goals ("SDGs") which clearly define the world we want — applying to all nations and leaving no one behind.

They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

Read more about the UN Sustainable Development Goals at https://sdgs.un.org/goals

Operational review

International overview

UK production: East Midlands

Europa produces oil from four UK oilfields: Wressle, West Firsby, Crosby Warren; and Whisby-4. Europa holds a 30% working interest in licences PEDL180 and 182 which hold Wressle and Broughton, alongside Egdon Resources (operator, 30%), and Union Jack Oil (40%). Consistent with the field development plan, Wressle commenced production on an extended well test in January 2021 and by August 2021 achieved gross rates of approximately 500 bopd, or 150 bopd net to the Company. This subsequently increased to 750 bopd gross (225 bopd net), and gave an average over the financial year of 179 bopd net to Europa, an increase of 227% compared to the previous year (55 bopd).

Whilst Wressle continues to produce at elevated rates, our other three fields are naturally declining, as expected. Nevertheless, the three fields contributed 66 bopd net to Europa throughout the financial period, which generated significant revenues at the recent elevated oil prices. We continue to investigate ways to improve recovery rates at a number of wells on the fields including potential workovers at the West Firsby field.

227%

Increase in net bopd production over the financial year

UK development: Wressle

We have been delighted with the performance of Wressle, our key onshore producing asset, during the financial year. The oilfield has significantly exceeded expectations, with current gross production rates of around 750 bopd roughly 50% higher than initial gross rates. Moreover, we see the potential for these rates increasing, perhaps by a further 50% to around 1,200 bopd. This will be reliant on a successful development of the associated gas that we produce with Wressle's oil. We are confident that this will be achieved, with the help of our partners in the field.

In May 2022, we were pleased that the North Sea Transition Authority ("NSTA") approved the Field Development Plan for the Wressle oilfield in North Lincolnshire, held under licences PEDL180 and PEDL182 (the "Licences"), where Europa holds a 30% interest. The NSTA has also approved the Licences entering their production phase, which will continue through to 2039.

Wressle continues to exceed our expectations, generating high levels of production and revenues, with the Wressle-1 well currently amongst the most productive in the onshore UK, producing over 250 thousand barrels gross of oil to date. Our next steps involve advancing the development plan and consenting process to enable production from the Penistone Flags reservoir where gross Mid-case Contingent Resources of 1.53 million barrels of oil and 2 billion cubic feet of gas have been independently reported, in addition to progressing gas monetisation and continuing to optimise oil and gas production from the Ashover Grit reservoir. Leveraging the knowhow and experience of our technical team, we are set to capitalise on the significant opportunities that exist at the field, alongside our joint venture partners Egdon and Union Jack Oil.

50%

Increase in gross production against initial rates

UK appraisal: Serenity

Europa holds a 25% working interest in the Serenity oil discovery, a development opportunity that we farmed into in April 2022. Alongside Wressle, Serenity is a potential engine of growth for Europa and demonstrates the Company's commitment to developing a balanced portfolio of assets.

The spud of the Serenity appraisal well, located in the Central North Sea, was announced in September 2022, where the well objective was to prove up additional volumes of hydrocarbons beyond those encountered in the original Serenity discovery well in 2019 by i3E. Unfortunately, the appraisal well encountered water-wet sands but has improved our understanding of the field. We are now working with i3E to optimise the development of the field, which could involve a tie-back to existing infrastructure. The Serenity field will be developed in line with the NSTA's stated strategy to ensure that the maximum volumes of oil are recovered from the North Sea in a manner that is compliant with the Government's aspirations of meeting its net zero targets.

The Serenity farm-in marks a continuation of Europa delivering on its stated strategy of developing significant value accretive opportunities and late-stage appraisal and development projects whilst ensuring the Company continues to minimise risk, and we look forward to updating stakeholders on our progress in due course.

25%

Working interest held by Europa

Exploration: Offshore Ireland

Located offshore Ireland on the west coast is Europa's FEL 4/19 licence. A strategic asset for Europa, FEL 4/19 contains the large, low risk Inishkea gas prospect which has the potential to facilitate the energy transition and mitigate Ireland's dependence on energy imports, particularly vital amid the current energy security crisis facing Europe.

Inishkea is situated adjacent to the Corrib gas field, which was discovered in 1996 and has been producing one of the lowest carbon-intensity gases in Europe since 2015, much lower than long distance pipeline gas from Norway or the UK. The exploration licence's position within the proven Slyne Basin gas play, together with the increasing need for countries to secure domestic energy resources against the current macroeconomic backdrop, underpins our confidence in securing a partner to farm into FEL 4/19 in the medium to long term.

We have completed all work commitments for the first phase of the licence and, in March 2022, Europa applied to Ireland's Department of the Environment, Climate and Communications ("DECC") for an extension to the first phase in order to carry out further technical studies and allow more time to secure a project partner. The application to extend the licence to 31 January 2024 was granted on 2 November 2022.

Ireland will continue to require gas in the long term, with the nation having recently agreed plans to build new gas-powered electricity plants, and, therefore, it makes sense to keep this potentially valuable source of indigenous gas off the west coast available.

Via the development of our licence in the Inishkea gasfield, Europa has the potential to provide Ireland with a secure supply of natural gas, leveraging existing infrastructure from Corrib to increase the efficiency of operations, minimise costs and reduce transportation emissions.

1.5tcf

Potential gas from Inishkea prospect

Exploration: Offshore Morocco

Since September 2019, Europa has held a 75% working interest in the Inezgane licence offshore Morocco. We have conducted several technical studies of the area, building up an extensive dataset composed of 3D seismic reprocessing and analysis, and extensive geological surveys. Significantly, initial results of technical work have identified 30 prospects and leads that have the potential to hold in excess of one billion barrels of unrisked oil resources, demonstrating the sizeable potential of the prospect.

In August 2021, we launched the farm-out initiative of our Inezgane permit, as Europa aims to attract a partner to advance exploration activities. The prospect is situated within a largely underexplored region, representing a significant opportunity to farm into a high potential exploration licence.

Unless Europa elects to enter into the next phase of the licence, the licence will lapse in November 2022.

75%

Working interest held by Europa since September 2019

GT MOU

Europa's contribution to net zero case study feature

In 2021, Europa entered into a MOU with Causeway Geothermal and project partner Baker Hughes to assess the potential of the West Firsby oilfield as a geothermal test and commercial deployment project, representing Europa's first foray into renewables.

Our collaboration is progressing well, and we continue to explore the possibility of utilising existing infrastructure and wells for geothermal applications to deliver clean, reliable and affordable sources of heat. A successful project will deliver long-term benefits to our shareholders, the UK's national energy grid and the local community in West Firsby.

Our market

Energy outlook

An overview of the key factors that have an impact on the energy market, how they affect the market, and what these could look like in 2023.

Government

The Company operates in well-regulated jurisdictions that govern the operational activities that Europa undertakes. In addition, these governing bodies issue licences, permits and determine the fiscal environment. The regulatory bodies in the UK and Ireland have experienced staff and well-defined statutes, however the UK exchequer has a record of changing the fiscal environment with oil prices where it increases and decreases the tax burden on oil and gas companies as oil and gas prices fluctuate.

What is the impact?

It is difficult to model the economic benefit that will be enjoyed by shareholders when there is not stability in the fiscal environments and it is difficult to put in place mitigating measures. The incumbent government will often respond to the mood of the electorate, which can result in policy changes and the general licensing environment.

What does this mean for Europa?

The value of the production, development and discovery of hydrocarbons is uncertain as the stability of the prevailing policies of the relevant governing bodies cannot be reliably forecast.

Commodity prices

History demonstrates that the price of crude oil is never immutable. Its price experiences wide price swings in times of shortage or oversupply. The price of crude oil may fluctuate violently affected by external factors, such as global macroeconomic conditions, OPEC policy, political, war, market speculation, the value of the US dollar.

Recently crude oil prices have been subject to high levels of uncertainty due to geopolitical factors, uncertain OPEC+ production, and concerns that a global recession could reduce crude oil demand.

EIA forecasts oil prices to generally remain near current levels in 2023 with Brent averaging $95/bbl. Potential petroleum supply disruptions and slower-than-expected crude oil production growth could lead to higher oil prices, while the possibility of slower-than-forecast economic growth may contribute to lower prices.

What is the impact?

Fluctuating oil prices has a direct impact on the Company's income and results in uncertainty around the availability of capital to deploy into development, appraisal and exploration operations.

What does this mean for Europa?

Europa models its future cash flows and adopts a conservative view on oil prices to ensure that the Company does not over commit the available capital. Where there are capital commitments which are reliant on future cash flows that require certainty over funding then a hedging strategy may be implemented.

Demand and supply

EIA forecasts that global consumption of liquid fuels will rise by an average of 1.5 million b/d in 2023. The IEA also predicts an increase in demand and in August 2022 forecasts that global oil demand will increase from 99.7 million b/d in 2022 to 101.8 million b/d in 2023.

World oil supply hit a post-pandemic high of 100.5 million b/d in July 2022 as maintenance wound down in the North Sea, Canada and Kazakhstan. OPEC+ ramped up total oil production by 530 kb/d in line with higher targets and non-OPEC+ rose by 870 kb/d. World oil supply is set to rise by a further 1 mb/d by year-end 2022.

What is the impact?
The market is currently reasonably balanced. However, the global macropolitical and economic environment can change rapidly and can disrupt this balance.

What does this mean for Europa?
Changes in the global demand / supply balance will have a direct impact on global oil prices, which in turn impact the future income of Europa and, in the case of an over supplied market, its ability to progress asset development due to potential shortfalls in available capital.

Transition to renewable energy

With its European partners the UK has committed to transition to net zero carbon emissions by 2050.

While the transition to net zero carbon emissions by 2050 is a big challenge, it is believed to be economically and technically feasible, and is becoming easier as the cost of low-carbon technologies declines. However, during this transition and beyond there is an ongoing demand for hydrocarbons, not only as a fuel source but also due to the myriad of consumer products that are made from petroleum products. To achieve these net zero goals scope 1 and scope 2 emissions need to be minimised. This can be done by producing hydrocarbons in the most emissions-efficient manner possible and also producing hydrocarbons locally to the demand centres, rather than transporting the product over long distances.

What is the impact?
Mature hydrocarbon basins, such as the North Sea, provide not only a well understood sub-surface environment but also existing infrastructure that can be efficiently utilised to extract hydrocarbons in a well-regulated environment with world class levels of emissions. This domestic production is materially more emissions-efficient than importing hydrocarbons from overseas.

What does this mean for Europa?
Europa is focused on appraising and developing hydrocarbons close to centres of demand and as such contributing towards the global goals of net zero 2050. The Company is highly experienced in the regions where it operates and therefore understands the specific technical challenges associated with developing the resource locally and as such can do so efficiently.

Highlights

$95/bbl

EIA oil price forecast, average for 2023

101.8m

Global oil demand prediction for 2023 (from 99.7m b/d in 2022)

The Company operates in well-regulated jurisdictions

To achieve net zero by 2050, scope 1 and scope 2 emissions need to be minimised. This can be done by producing hydrocarbons in the most emissions-efficient manner possible and also producing hydrocarbons locally

Risks and uncertainties

Responsible risk management

The various activities of Europa subject the Company to a range of financial risks including commodity prices, liquidity, exchange rates and loss of operational equipment or wells. These risks are managed with the oversight of the Board and the Audit Committee through ongoing review, considering the operational, business and economic circumstances at that time. The primary risk facing the business is that of asset performance.

Key risk	Description and impact	Mitigation
Funding	Significant expenditure is required to establish the extent of oil and gas reserves through seismic surveys and drilling and there can be no certainty that oil and gas reserves will be found. Licences may be revoked by the relevant issuing authority if commitments under those licences are not met. Further details of current licence commitments are given in notes 11 and 25, also note comments on going concern in note 1. There is no mitigation in place at the moment and the Company assumes $1.15/GBP for forecasting.	Detailed cash forecasts are prepared regularly and reviewed by management and the Board. The Group's production provides a monthly inflow of cash and is the main source of working capital and project finance. Additional cash is available through the placing of Europa shares in the market and potentially by the trading of assets.
Commodity price and foreign exchange	Each month's oil production is sold at a small discount to Brent price in US Dollars. These funds are matched where possible against expenditures within the business. As most capital and operating expenditures are Sterling denominated, US Dollars are periodically sold to purchase Sterling. A fall in oil price could make some projects economically unviable.	The Board has considered the use of financial instruments to hedge oil price and US Dollar exchange rate movements. To date, the Board has not hedged against price or exchange rate movements but intends to regularly review this policy.
Customer	All oil production is sold to one UK-based refinery – if it was to stop buying Europa's crude, additional transportation costs would be incurred.	Other refineries are known to Europa, however new marketing agreements would need to be negotiated.

Key risk	Description and impact	Mitigation
Exploration, drilling and operational	The business of exploration and production of oil and gas involves a high degree of risk. Few prospects that are explored are ultimately developed into producing oil and gas fields. There are numerous risks inherent in drilling and operating wells, many of which are beyond the Company's control. Operations may be curtailed, delayed or cancelled as a result of environmental hazards, industrial accidents, occupational and health hazards, technical failures, weather, reservoir pressures, shortage or delays in the delivery of rigs and other equipment, labour disputes and compliance with governmental requirements. Drilling may involve unprofitable efforts, not only with respect to dry wells, but also to wells which, though yielding some oil or gas, are not sufficiently productive to justify commercial development. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs.	Current production comes from six oil wells located at four different sites. This diversity of producing assets gives Europa resilience in the event of a problem with one well or site. Appropriate insurance is obtained annually which covers some of Europa's exploration, development and production activities. The non-operating partners within each joint venture assess the technical merits of each joint venture operator, providing a peer review of operational activities.
Planning risk	Securing planning consent for onshore wells takes time and the outcome of planning applications is not certain.	The Group engages planning and legal specialists in the field.

On behalf of the Board

Will Holland
Chief Financial Officer

11 November 2022

Section 172

Directors' statement under Section 172 (1) of the Companies Act 2006

Section 172 (1) of the Companies Act obliges the Directors to promote the success of the Company for the benefit of the Company's members as a whole.

This section specifies that the Directors must act in good faith when promoting the success of the Company and in doing so, have regard (amongst other things) to:

a) the likely consequences of any decision in the long term;

b) the interests of the Company's employees;

c) the need to foster the Company's business relationship with suppliers, customers and others;

d) the impact of the Company's operations on the community and environment;

e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

f) the need to act fairly as between members of the Company.

The Board of Directors is collectively responsible for the Company's strategy, which is to develop significant value-accretive opportunities across a balanced portfolio of energy assets while minimising risk to shareholders.

The Board of Directors confirms that during the last year under review it acted in accordance with Section 172 (1) of the 2006 Companies Act, which requires the Board to promote the long-term success of the Company for the benefit of shareholders.

The strategies developed and executed by the Company have resulted in achieving value creation and de-risking of its development plans, adopting the step-by-step approach under the leadership and guidance of the Board of Directors.

Some of the key decisions taken by the Directors during the year under review and the significant outcomes achieved by the Company aimed at delivering on its strategies included:

- The appointment of William Holland as Chief Financial Officer ("CFO") on a permanent basis in June 2022. This was following his successful placing during March as a consultant. Mr Holland brings a wealth of small energy company experience to the role and the decision to appoint him to the role ensures the strong financial capability of the senior management team and ensures minimal disruption to both the Company and its employees. The Board concluded that Mr Holland was the best candidate for the job and will help deliver on the long-term goals of the Company. The Board also invited Mr Holland to join the Board and the shareholders will be invited to approve the appointment at the next AGM.
- During the year Europa announced the Serenity farm-in agreement with i3E in respect of UK Seaward Production Licence P.2358, Block 13/23c which contains the Serenity oil discovery. The farm-in is for 25% and is in line with Europa's stated strategy to acquire an appraisal project, adding to its existing assets, and so creating a more balanced portfolio. The Serenity appraisal well was drilled at a cost to Europa of £4.8 million. Each party will now fund its interests proportionally. Serenity is strategically located near existing infrastructure in the North Sea, however the appraisal well did not confirm sufficient recoverable volumes for a standalone development at Serenity and further appraisal is necessary.
- The achievement of oil production at the Wressle field in North Lincolnshire at a gross rate of 750 bopd during H1 of 2022 (Europa's net share: 225 bopd) following extensive work completed during the year to 31 July 2022 has served to more than double the Company's UK onshore net production and deliver a huge boost to our revenue profile, benefitting shareholders and employees alike.
- The work with Causeway Geothermal (NI) Ltd continues to assess the potential of our West Firsby oil field in the East Midlands as a test site for a sustainable, clean geothermal energy system as Europa continues to develop our ESG credentials so that we may fully participate in the national energy transition to deliver long-term benefits not only to the Company and its shareholders but also the UK's national energy grid and the local community.
- The equity raising of £7.02 million gross via a placement and broker option in March 2022 was necessary in order to fund work programmes for the future development of the Company including the evaluation of recovery improvement initiatives onshore UK and the pursuit of late-stage appraisal/development projects to continue to rebalance the existing portfolio of production and exploration assets.
- In early September 2022, Europa secured a loan facility of £1,000,000 from Union Jack Oil & Gas in order to facilitate any additional liquidity requirement during the drilling of the Serenity SA02 well, where success would have triggered a side-track or two. The loan was repaid in October 2022.
- A relaunch of the farm-out of the high potential Inezgane Offshore Permit located offshore Morocco during the year was conducted to end the first phase of the licence.
- The Directors continued farm-out efforts on the Frontier Exploration Licence ("FEL") 4/19 located offshore Ireland near the producing Corrib gas field. This would allow the Company to maximise the revenue potential of the licences.

Engaging with our stakeholders

Our engagement channels

Shareholders

How the Group engages with stakeholder

- Websites – all announcements
- Email notices
- Company's Twitter and LinkedIn accounts
- Online meetings
- Physical meetings

Government regulators

How the Group engages with stakeholder

- NSTA/OGA – Letter, online portal, seminars and meetings
- PPRS – Monthly submissions and website data input
- Environment Agency bi-annual reports, soliciting a CAR and site visits
- HSE site visits, meetings, inspections
- ONHYM letter and email correspondence
- DECC (formerly PAD) letter and email correspondence

Joint Venture partners

How the Group engages with stakeholder

- Email
- Letter Correspondence
- Annual TCM/OCM formal meetings

Suppliers and advisers

How the Group engages with stakeholder

- Email
- Orders and payments
- Letters
- KYC work

Local community

How the Group engages with stakeholder

- This is site specific but includes personal and group meetings

Glossary

CAR	Compliance Assessment Report
DECC	Department of the Environment and Climate Change (Ireland)
HSE	Health and Safety Executive
KYC	Know Your Customer
OCM	Operations Committee Meeting
OGA	Oil & Gas Authority (UK)
NSTA	North Sea Transition Authority (UK)
ONHYM	Office National des Hydrocarbures et des Mines (Morocco)
TCM	Technical Committee Meeting

Chairman's introduction to governance

As Chairman of Europa Oil & Gas (Holdings) plc, it is my responsibility to ensure that the Board is performing its role effectively and has the capacity, ability, structure and support to enable it to continue to do so.

How we govern the Group

The information on corporate governance set out below and on the website www.europaoil.com is, in the opinion of the Board, fully in accordance with the revised requirements of AIM Rule 26.

The Board has determined that the Quoted Companies Alliance ("QCA") Corporate Governance Code for small and mid-size quoted companies is the most appropriate for the Group to adhere to.

The QCA Code is constructed around 10 broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation of how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each. The Board considers that it does not depart from any of the principles of the QCA Code during the period under review.

The last 12 months have seen, amongst others, the following governance developments:

- SG Oddie and BJ O'Cathain met with major shareholders
- W Holland joined the Board of Directors as an executive Director
- A Board evaluation review in September 2021, the main action points arising being:
  - To strengthen the management team
  - To obtain more from meetings of the Board
  - To improve Board diversity

In May 2022 the government published a white paper entitled "Restoring Trust in Audit and Corporate Governance". It was primarily focused on major companies and the audit process. The Company report should be audited and include governance as well as the conventional financial statements.

This white paper was published to restore public trust, improve governance, empower stakeholders and to keep UK regulations at the forefront of best practice. It was partly in response to three independent reports commissioned by government back in 2018, the Financial Reporting Council by Sir John Kingman, Audit quality and Effectiveness by Sir Donald Brydon and the responses from industry following a survey sent by the Department for Business, Energy and Industry.

The Board is aware that the two main themes from the white paper were; that there was a need for corporate governance reform but that there was no real agreement on what the reforms should be, mainly due to the large number of suggestions from industry.

However, for the purposes of clarity, the description of how the Company complies with the 10 principles of the QCA Code begins with a summary of those areas where the Group does not fully comply, followed by a review of each of the principles in turn.

Summary of QCA principles not fully complied with

Principle 6:	Action
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities **The Board should understand and challenge its own diversity, including gender balance, as part of its composition**	The Board found and appointed a Chief Financial Officer (CFO) and Deputy CEO having given due consideration to all candidates. Naturally the candidate was appointed on merit.

Review of each of the QCA principles

Principle 1:

Establish a strategy and business model which promote long-term value for shareholders

Our strategy is described here: http://www.europaoil.com/strategy.aspx

Also note:

- In early July 2022 following a review of the committee's work, the Board resolved to have the Strategy Committee continue to provide support to the executive in implementing strategy
- The Strategy Committee met once in 2021-22
- Strategy is actively assessed and adjusted by discussion between the Directors
- Strategy is by necessity opportunity driven

Principle 2:

Seek to understand and meet shareholder needs and expectations

The Company engages with shareholders by:

- Conducting regular interviews with Proactive Investors and appearing on virtual forums
- Issuing Regulatory News Service (RNS) announcements
- Maintaining an active Twitter account
- Replying directly to investor questions sent to mail@europaoil.com
- Conducting at least twice-yearly meetings with major shareholders on its results roadshows to obtain a balanced understanding of their issues and concerns

Shareholder liaison is the responsibility of the CEO and Chairman, with assistance from the SID.

At the last AGM, voting did not indicate any specific shareholder concerns.

Principle 3:

Take into account wider stakeholder and social responsibilities and their implications for long-term success

Key stakeholders are:

- Regulators (NSTA/OGA, DECC (Department of Environment, Climate and Communications (Ireland)), ONHYM (Office National des Hydrocarbures et des Mines), EA, HSE, Local Authorities
- Host governments
- Local communities
- Partners and Co-venturers
- Employees and consultants
- Phillips 66 (who purchase our produced crude oil)

The CEO provides a weekly report to the Board which includes a section on Stakeholder and Social Responsibility. This includes stakeholder feedback from multiple sources.

Europa is a member of the Irish Offshore Operators' Association ("IOOA") which has been highly active in promoting the need for oil and gas exploration in Ireland and in particular the role of indigenous gas.

Chairman's introduction to governance (continued)

Principle 4:

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The finance department prepares a risk register for the Group that identifies key operational and financial risks. All members of the Board are provided with a copy of the register. The register is updated as and when necessary.

The Audit Committee monitors the integrity of the financial statements and related announcements, reviews the Company's internal control processes and risk management systems, and reports its conclusions to the Board. The committee regularly reviews the effectiveness of the Company's systems and risk management.

Within the scope of the annual audit, specific financial risks including foreign currency, interest rates, liquidity and credit are evaluated in detail.

All members of staff and contractors are provided with a handbook which includes sections on share dealing, bribery, social media use and whistleblowing. The handbook is updated and reissued regularly.

We do not currently have a risk management framework, a risk management improvement programme, a risk training programme, workshops, risk appetite or monitoring dashboard but will review if any of these would be beneficial in the coming year.

Principle 5:

Maintain the Board as a well-functioning, balanced team led by the Chair

All of the three NEDs are considered by the Board to be independent.

Biographies are available at: http://www.europaoil.com/Directors.aspx

Two of the Board's Non-Executive Directors, SA Williams and BJ O'Cathain, hold share options. Whilst recognising that the granting of options to Non-Executive Directors can be deemed to compromise independence in accordance with the principles of the QCA Corporate Governance Code, the Board views this to be part of a balanced remuneration package to attract and retain high quality candidates and considers the numbers of options to have no effect upon the independence of these Directors as the sums are insignificant in the context of the individual's financial circumstances.

One of the Board's Non-Executive Directors, CW Ahlefeldt-Laurvig, has been a member for more than the nine years recommended by the QCA Corporate Governance Code and holds 3.72% of the Company's issued share capital. The Board believes him to be independent in character and free from any other relationship that could affect his independent judgement. This is demonstrated by his objective and active contribution in Board meetings and his voting record.

The appointment of SA Williams in March 2020 compensated somewhat for his seniority and reduced the average tenure of the Board. Directors serving more than six years will continue to be proposed for re-election at each AGM.

SG Oddie (CEO) is a full-time employee, as is WP Holland.

BJ O'Cathain (Non-Executive Chairman), SA Williams and CW Ahlefeldt-Laurvig (all Non-Executive Directors) are all expected to devote such time as is necessary for the proper performance of their duties including attendance at Board meetings, the AGM, and Board committee meetings.

The minimum numbers of meetings for committees are: are: Audit Committee – two; ESG – one; Remuneration– one; and Nominations Committee – one. Meetings held and attendance records of all Directors for the period 1 August 2021 to 31 July 2022 are set out below.

The Board is balanced in terms of experience, and the split between Executive and Non-Executive Directors.

All Board and Board committee members received an agenda and associated papers a few days in advance of meetings.

Principle 6:

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	Members of the Board of Directors are listed at: http://www.europaoil.com/Directors.aspx including their relevant experience, skills and personal qualities. There is an appropriate breadth of experience covering the key aspects of the business including technical, operational, financial and international. The gender balance also needs to be addressed and will be considered at the same time. It is the responsibility of each Director to keep skills up to date with the assistance of the Chairman who has a core responsibility in addressing the development needs of the Board as a whole with a view to enhancing its overall effectiveness. Board committees call on external advisers where this is deemed necessary. No significant matters of a corporate governance nature arose during the period covered by the 2022 Annual Report nor subsequently to the date of this statement on which it was considered necessary for the Board or any of its committees to seek specific external advice, although the Board consults with its Nominated Adviser and other professional advisers on routine matters arising in the ordinary course of its business. The main internal advisory functions are those of Senior Independent Director and Company Secretary. New Directors receive training from the Company's Nominated Adviser and broker.

Principle 7:

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	The third effectiveness review used the online Thinking Board Evaluator from Independent Audit was undertaken during the year. Each Director fed back to the Chairman and results were assimilated and considered at the following Board meeting. The main areas requiring attention were: • Strengthening the management team. Since the retirement of the Finance Director/Company Secretary in November 2020 these functions have been provided by internal non-Board appointees • Obtaining more from meetings of the Board. The restricted nature of virtual meetings during the pandemic has limited the scope and benefit. The return to physical meetings (the first held 7 September 2021), resumption of site visits, physical technical presentations and informal exchanges of ideas around meetings are expected to improve this situation significantly • Board diversity. This will be addressed as the management team is strengthened The Board has concluded that the fourth review should include an external third-party component.

Principle 8:

Promote a corporate culture that is based on ethical values and behaviours	Members of the Board are committed to observing and promoting the highest standards of ethical conduct in the performance of their responsibilities on the Board of Europa. The Board believes that a culture that is based on the highest ethical standards provides a competitive advantage and is consistent with fulfilment of the Group's strategy. Board meetings have been held virtually on Virtual Media with the resumption of physical meetings on 7 September 2021. The previous practice of holding a meeting once a year at one of the production sites has been resumed. Directors are encouraged to spend time with, listen to, and act upon any concerns of, staff members and contractors. • The Board considers that cultural differences between UK and Ireland are not material • We do not have a culture policy, nor a specific culture related employee training/induction programme but resolve to review the need for such a programme annually • Culture and strategy are deeply aligned • The Board ensures that the Company has the means to determine that ethical values and behaviours are recognised and respected

Chairman's introduction to governance (continued)

Principle 9:

Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

Role of the Chairman – BJ O'Cathain

- Runs the Board and sets its agenda
- Promotes the highest standards of corporate governance
- Ensures that the members of the Board receive accurate, timely and clear information, to promote the success of the Group
- Ensures effective communication with shareholders
- Takes the lead in identifying and meeting the development needs of individual Directors, ensuring that the performance of individuals and of the Board as a whole and its committees is evaluated at least once a year

Role of the CEO – SG Oddie

- Develops Group objectives and strategy
- Executes strategy following approval by, the Board
- Identifies and executes licence acquisitions and disposals, joint venture opportunities, approves major work programmes
- Leads geographic diversification initiatives
- Identifies and executes new business opportunities outside the current core activities
- Manages the Group's risk profile, including the health and safety performance of the business, in line with the extent and categories of risk identified as considered acceptable by the Board

Role of the SID – SA Williams

- Works closely with the Chairman, acting as a sounding board and providing support
- Acts as an intermediary for other Directors as and when necessary
- Is available to shareholders and other Non-Executives to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication
- Meets at least annually with the Non-Executives to review the Chairman's performance and carrying out succession planning for the Chairman's role
- Attends sufficient meetings with major shareholders to obtain a balanced understanding of their issues and concerns

Role of the Company Secretary – Murray Johnson

- Distributes documents to the Board
- Is available to the ESG, Audit, Remuneration, Nominations and Strategy Committees as required
- Keeps minutes of meetings
- Updates Companies House records for the Company and subsidiaries

Committee Terms of Reference and Matters Reserved for the Board are available at: http://www.europaoil.com/corporatedocuments.aspx

The Board intends to continuously review its governance framework in line with the Company's plans for growth.

Principle 10:

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Owing to Covid-19 it is now common practice for SG Oddie and BJ O'Cathain to meet major shareholders physically as well as virtually. The Audit Committee met to review the interim and preliminary accounts for the Group and held meetings with the external auditor without executives present. The Remuneration Committee met once during the year to review remuneration and incentives. During the year the Company has focused on advancing its portfolio and looked at new asset opportunities. Past Notice of AGMs are available at: www.europaoil.com/reportsandpresentations.aspx

Board

The Board is responsible for the overall governance of the Company. Its responsibilities include setting the strategic direction of the Company, providing leadership to put the strategy into action and to supervise the management of the business.

The Board now comprises three Non-Executive Directors ("NEDs"), the CEO and the CFO. Biographies of the Directors are on pages 34 and 35. All NEDs are considered by the Board to be independent. The roles and responsibilities of the Chairman, CEO, Senior Independent Director ("SID") and Company Secretary are set out on the website and summarised below.

BJ O'Cathain is Non-Executive Chairman, SA Williams is the SID, CW Ahlefeldt-Laurvig is a NED.

Terms of Reference

The Terms of Reference of all Board committees are available on the website.

Record of meetings

Meetings held and attendance records of all Directors for the period 1 August 2021 to 31 July 2022 are set out below:

	Board	ESG Committee	Audit Committee	Remuneration Committee	Nominations Committee	Strategy Committee
	Attended/ Possible	Attended/ Possible	Attended/ Possible	Attended/ Possible	Attended/ Possible	Attended/ Possible
SG Oddie	6/6	1/1	2/2	1/1	1/1	1/1
CW Ahlefeldt-Laurvig	6/6	1/1	2/2	1/1	1/1	1/1
BJ O'Cathain	6/6	1/1	2/2	1/1	1/1	1/1
SA Williams	6/6	1/1	2/2	1/1	1/1	1/1
W Holland	1/1	0/0	0/0	0/0	0/0	1/1

Brian O'Cathain
Chairman

Audit Committee Report

The Audit Committee meets twice a year and is chaired by SA Williams. C W Ahlefeldt-Laurvig and B J O'Cathain are members. During the year, the Committee has reviewed:

- Internal financial controls systems and other internal control and risk management systems;
- The statements to be included in the annual report concerning internal control, risk management and the going concern statement;
- The carrying values of the producing and intangible assets;
- The adequacy and security of the Company's arrangements for its employees and contractors to raise concerns about possible wrongdoing in financial reporting or other matters;
- The procedures for detecting fraud;
- The systems and controls for the prevention of bribery;
- The need for an internal audit function

The Committee has overseen the relationship with the external auditor, including:

- Approved their remuneration for audit and non-audit services;
- Approved their terms of engagement and the scope of the audit;
- Satisfied itself that there are no relationships between the auditor and the Company which could adversely affect the auditor's independence and objectivity;
- Monitored the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
- Assessed the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process;
- Evaluated the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee;
- Met with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;
- Discussed with the external auditor the factors that could affect audit quality and reviewed and approved the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team

The Committee reviewed the findings of the audit with the external auditor, including:

- A discussion of issues which arose during the audit, including any errors identified during the audit; and the auditor's explanation of how the risks to audit quality were addressed;
- Key accounting and audit judgements;
- The auditor's view of their interactions with senior management;
- A review of any representation letters requested by the external auditor before they were signed by management;
- A review of the management letter and management's response to the auditor's findings and recommendations;
- A review of the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee

Stephen Williams
Audit Committee Chair

Remuneration Committee Report

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

BJ O'Cathain chairs the Committee. CW Ahlefeldt-Laurvig and SA Williams are members. The Remuneration Committee met once in the year.

In setting the remuneration for the Executive Directors and key staff, the Committee compares published remuneration data for other AIM and Main LSE Board oil and gas companies of a similar market capitalisation and seeks to ensure that the remuneration of the Executive Directors is broadly comparable to their peers in other similarly sized organisations.

In 2021-22:

- There were no changes to remuneration policy, pension rights and any compensation payments.
- Changes were made in pay across the Company and Group.
- An award under the executive bonus scheme was made for the calendar year 2021. A scheme for the calendar year 2022 is in operation for the year commencing 1st January 2022.

Brian O'Cathain
Remuneration Committee Chair

Nominations Committee Report

The Nominations Committee reviews the size, structure and composition of the Board and considers succession planning. The committee identifies and nominates candidates to fill Board vacancies for approval of the Board.

Brian O'Cathain chairs the committee. CW Ahlefeldt-Laurvig and SA Williams are members. The Nominations Committee met once in the year and discussed and recommended:

- The appointment of Will Holland as CFO and Executive Director
- It was re-iterated that the Company would look for a female Board member at the next opportunity
- The Committee reviewed succession planning and agreed who would step into senior roles in the event of an emergency
- The time commitment required of the NEDs was considered to be appropriate

Brian O'Cathain
Nominations Committee Chair

Strategy Committee Report

The Strategy Committee reviews the strategy to be adopted by the company, to review Company performance, strategic objectives to consider single asset opportunities and to review initiatives, alliances and potential mergers.

SG Oddie chairs the Committee. CW Ahlefeldt-Laurvig, SA Williams, BJ O'Cathain and W Holland are members. The Strategy Committee last sat in July 2022.

- The Committee invited W Holland to join the Committee
- The Committee reviewed a plan to rate opportunities consistently and agreed a gate process system
- The Committee agreed to maintain a strong focus on the North Sea

Simon Oddie
Strategy Committee Chair

ESG Committee Report

The ESG Committee reviews the ESG policies and initiatives ensuring they remain effective and up-to-date along with ensuring compliance with legal and regulatory requirements, including corporate governance principles and industry standards applicable to the Company. The Board has adopted a precautionary approach to ESG, identifying and assessing the potential risks and impacts of our operations on the world around us at all stages of a project and the oversight of this lies with the ESG Committee.

Environment - The Board is committed to ensuring that the environmental impacts of its activities are taken into account and that the Company is regarded as a good steward of hydrocarbon resources. As such the ESG Committee will consider how it can actively reduce greenhouse gas emissions and energy consumption in its activities.

Social - The Committee will consider the Company's interactions with employees and all stakeholders of the Company to ensure that these relationships are being appropriately managed and will consider the role of the Company in society to ensure that all groups impacted by the activities of the business are given suitable consideration.

Governance - The ESG Committee is responsible for ensuring that the appropriate governance policies are in place. All relevant policies relating to ESG shall be reviewed by the Committee and where the Committee is not satisfied, it shall report its views to the Board.

In 2021-22

- Material ESG Topics were identified
- An ESG Strategy was established
- Committed to building on our reporting framework to enable transparent reporting

Brian O'Cathain
ESG Committee Chair

Board of Directors

Our strong leadership

Members of the Board of Directors are listed below, including their relevant experience, skills and personal qualities.

There is an appropriate breadth of experience for current activities covering the key aspects of the business including technical, operational, financial and international. The gender balance will be considered for the next appointment. It is the responsibility of each Director to keep skills up to date with the assistance of the Chairman who has a core responsibility in addressing the development needs of the Board as a whole with a view to enhancing its overall effectiveness.

Board Committees call on external advisers where this is deemed necessary. During 2020-21 this has not been required.

The main internal advisory functions are that of Senior Independent Director (SA Williams) and Company Secretary (Murray Johnson).

Committee membership key

- **E** ESG Committee
- **A** Audit Committee
- **R** Remuneration Committee
- **N** Nominations Committee
- **S** Strategy Committee
- Chair of Committee
- Member of Committee

E S

SG Oddie

Chief Executive Officer

Appointed
January 2018

Skills and experience
Simon joined the Board as non-executive Chairman in January 2018, was appointed Interim CEO in November 2019 and then permanent CEO on 4 August 2020 whilst stepping down as non-executive Chairman.

He has over 40 years of relevant experience as a petroleum engineer, technical consultant, manager and investment adviser in upstream oil and gas. He has previously worked with Schlumberger, ERC Energy Resource Consultants, Enterprise Oil and Gemini Oil and Gas Advisors LLP.

He was CEO of Enterprise Italy during its first operated exploration drilling both on and offshore. Simon more recently was the architect of the Gemini Oil and Gas royalty funds where he established a solid track record in fundraising, investor relations, and origination, evaluation and execution of oil and gas deals.

He has completed the Advanced Management Program (AMP 155) at Harvard Business School, holds an MSc. in Petroleum Engineering from Imperial College and a BSc (First Class) in Electronics from Manchester University. Simon keeps his skills up to date through participation in key professional societies, industry groups, and seminars.

E A S

WP Holland

Chief Financial Officer

Appointed
June 2022

Skills and experience
Will is a proven financier with a career spanning over 25 years in the upstream industry. He started as an engineer with Halliburton and focussed on North Sea operations. He then moved into upstream banking at Macquarie Bank. Since 2013 he has run a successful consulting business which advises energy companies on commercial, financial and M&A matters.
He has significant experience in corporate acquisitions, establishing and growing small cap E&P companies, debt and equity financing, balance sheet restructuring and investor relations, much of which was gained working on deals across the UK and Europe.
He has an engineering degree from Warwick University and an MBA from Heriot Watt University.

E A R N S

BJ O'Cathain

Non-Executive Chairman

Appointed
January 2018

Skills and experience
Brian has worked as a geologist and petroleum engineer in the oil and gas sector since 1984. He began his career with Shell International and worked at Enterprise Oil and Tullow Oil in senior roles. He served as CEO of Afren plc to 2007, and as CEO of Petroceltic International plc, until 2016. He was a Non-Executive Director of Eland Oil and Gas, an AIM-quoted company producing over 20,000 bopd in Nigeria, until its successful sale to Seplat plc in December 2019. He is also a Non-Executive Director of Nephin Energy, a private gas producing company which is the largest equity holder in the Corrib Gas Field in Ireland. Nephin Energy is a 100% subsidiary of Canadian Pension Plan Investment Board, one of the world's largest Pension Funds with assets of US $396 billion under management (as of year end 31 March 2022). He is a founding director and chair of Causeway Geothermal Limited, a geothermal company.

His skills include market understanding, fund-raising, and the technical, legal and financial aspects of running a publicly listed Oil and Gas company. He led and negotiated the agreed nil-premium merger of Petroceltic and Melrose Resources in 2012.

He holds a BSc (First Class) in Geology from the University of Bristol. Brian keeps his knowledge and awareness current by participation in industry conferences, IOD workshops, and by networking with other directors and executives in the Oil and Gas industry.

E A R N S

CW Ahlefeldt-Laurvig

Non-Executive Director

Appointed
October 2004

Skills and experience
William helped take Europa onto AIM and remains one of its largest shareholder. He started his career at Maersk as a petroleum engineer in 1982, followed, in 1987, by IPEC, a London based consultancy, where he was responsible for field reserves estimations.

In 1990, he became an independent consultant, undertaking field and portfolio evaluations for acquisitions and field development work on a range of projects in the North Sea, former Soviet Union and Middle East. He was also, in 1991, a founder and Non-Executive Director of IFX Infoforex Ltd which was successfully sold in 2000.

William has continued to work as an independent consultant petroleum engineer, latest in 2013 – 2016 for a client in Norway.

E A R N S

SA Williams

Non-Executive Director

Appointed
March 2020

Skills and experience
Since October 2017, Stephen has held the position of Co-CEO of Reabold Resources, an AIM-traded, upstream oil & gas company focused on investing in late-stage upstream opportunities. At Reabold, Stephen has played a leading role in raising capital, building a diversified portfolio of investments in the UK, Romania and the US and, since August 2018, the company's participation in nine wells, eight of which have resulted in discoveries. Prior to Reabold, Stephen held various positions within both the energy and financial sectors including as a fund manager at Guinness Asset Management and, between 2010 and 2016, as an investment analyst at M&G focused on energy and resources. Between 2005 and 2010, Stephen worked as an energy investment analyst for Simmons & Company International and from 2003 to 2005 as an analyst at ExxonMobil.

Directors' report

Business review
A detailed review of the Group's business is set out in the Chairman's statement (pages 8 and 9) and our operational review (pages 16 and 17).

Future developments
Details of expected future developments for the Group are set out in the Chairman's statement (pages 8 and 9) and our operational review (pages 16 and 17).

Dividends
The Directors do not recommend the payment of a dividend (2021: £nil).

Directors and their interests
The Directors' interests in the share capital of the Company at 31 July were:

	Number of ordinary shares		Number of ordinary share options	
	2022	2021	**2022**	2021
CW Ahlefeldt-Laurvig[1]	**35,739,621**	34,906,288	**–**	–
BJ O'Cathain	**1,467,948**	634,615	**2,950,000**	2,950,000
SG Oddie	**3,384,615**	884,615	**9,200,000**	9,200,000
SA Williams	**141,131**	141,131	**2,500,000**	2,500,000
WP Holland	**228,757**	–	**3,721,000**	–

1. CW Ahlefeldt-Laurvig holds his shares with HSBC Global Custody Nominee (UK) Limited.

Details of the vesting conditions of the Directors' stock options are included in note 23.

Directors' interests in transactions
No Director had, during the year or at the end of the year, other than disclosed above, a material interest in any contract in relation to the Group's activities except in respect of service agreements.

Subject to the conditions set out in the Companies Act 2006, the Company has arranged appropriate Directors' and Officers' insurance to indemnify the Directors against liability in respect of proceedings brought by third parties. Such provisions remain in force at the date of this report.

Financial instruments
See note 1 and note 24 to the financial statements.

Related party transactions
See note 27 to the financial statements.

Post reporting date events
See note 28 to the financial statements.

Capital structure and going concern
Further details on the Group's capital structure are included in note 22. Comments on going concern are included in note 1.

Accounting policies
A full list of accounting policies is set out in note 1 to the financial statements. No new accounting standards were adopted in the period.

Disclosure of information to the auditor
In the case of each person who was a Director at the time this report was approved:

- So far as that Director was aware there was no relevant available information of which the Company's auditor was unaware; and
- That Director had taken all necessary steps to make themselves aware of any relevant audit information, and to establish that the Company's auditor was aware of that information.

Auditor
A resolution to re-appoint the auditor, BDO LLP, will be proposed at the next Annual General Meeting.

On behalf of the Board

Will Holland
Chief Financial Officer

Statement of Directors' responsibilities

Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with UK adopted International Accounting Standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with with UK adopted International Accounting Standards, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent auditor's report

to the members of the Europa Oil & Gas (Holdings) plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 July 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Europa Oil & Gas (Holdings) Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 July 2022 which comprise the consolidated statement of comprehensive income, consolidated and Company statements of financial position, consolidated and the Company statements of changes in equity, consolidated and Company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the Directors cash flow forecasts for the period to 31 December 2023 and evaluating the level of cash headroom available and the assumptions including oil production, oil prices, operating expenditure and capital expenditure. In doing so we compared production forecasts to recent actual performance trends and considered the oil price assumptions against consensus market prices. We compared the reasonableness of forecast costs with historical expenditure;
- We have obtained the latest bank statements to compare the opening cash position to the forecasts;
- We have reviewed the cash flow forecasts for mathematical accuracy and formulaic integrity;
- Considering whether previous forecasts were consistent with actuals, to ascertain whether the Directors had a history of accurate forecasting which is not subject to bias;
- Reviewing board minutes and RNS announcements for any indicators regarding operating costs and production that may have an impact on the Group's ability to continue as a going concern;
- Reviewing Director's sensitivity analysis performed in respect of key assumptions underpinning the forecasts including reviewing the oil price sensitivity by comparing the sensitivity to market data, production levels from the Wressle well to recent performance trends and limiting capital expenditure to committed levels;
- Reviewing licences for commitments to check these have been reflected in the cash flow forecasts; and
- Reviewing the adequacy and consistency of the disclosure included within the financial statements in respect of going concern against the requirement of the accounting standards, the results of our audit testing and the detail of the directors' going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage[1]	100% (2021: 97%) of Group profit before tax 100% (2021: 100%) of Group revenue 100% (2021: 99%) of Group total assets		
Key audit matters		2022	2021
	Carrying value of producing assets	X	X
	Carrying value of exploration and evaluation assets	X	X
	Recoverability of the net investment in subsidiaries	X	N/a
	Going concern	N/a	X
	Going concern has not been assessed as a key audit matter because the group has generated cash from operating activities due to favourable oil price movements and increased production levels from the Wressle well.		
Materiality	Group financial statements as a whole £256,000 (2021: £120,000) based on 1.5% (2021: 1.5%) of total assets.		

[1] These are areas which have been subject to a full scope audit by the group engagement team

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Our Group audit scope focused on the Group's principal three operating subsidiaries, Europa Oil & Gas Limited, Europa Oil and Gas New Ventures Limited and Europa Oil & Gas (Inishkea) Limited, all being located in the UK, which were all subject to full scope audits. Together with the Parent Company which was also subject to a full scope audit, these represent the significant components of the Group. All of the significant components were audited by the Group audit team.

The remaining four components of the Group were considered non-significant based on their relative size and risk. The financial information of these components were principally subject to analytical review procedures performed by Group audit team to confirm there were no significant risks of material misstatements within these components.

Independent auditor's report (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Carrying value of producing assets See notes 1 and 12	Judgement is required by management in determining whether there is an impairment to be recognised or whether there has been an increase in value that should give rise to any impairment reversals. The key estimates and judgements include oil price, reserves and discount rate. Based on the assumptions made by management, an impairment of £570,000 was recognised in 2022. We considered the carrying value of the producing assets to be a key audit matter due to the level of estimation and judgement required and the complexities of the disclosures in this area.	For each of the four producing fields we challenged the appropriateness of the key estimates and assumptions used by management in the discounted cash flow models which included a comparison of oil price forecasts to market outlook reports, recalculation of discount rates, performing sensitivity analysis in respect of significant inputs and comparing the reasonableness of cost and production assumptions to historical data in the year. We compared the reserves used in the models to the most recent independent competent persons reports and assessed the objectivity, competence and independence of those experts as well as the suitability of the work of those experts for our purposes. We reviewed the licences to check whether or not they remain valid. We compared the production volume data incorporated into the forecasts to the independent competent persons reports and made enquiries of any variances with the internal reservoir engineer and agreed explanations to supporting documentation. We recalculated management's sensitivity assessments and performed our own sensitivity calculations in respect of oil prices, production volumes and discount rate. We considered the appropriateness of the related disclosures given in notes 1 and 12 in line with the requirements of the applicable accounting standards. **Key observations:** We consider the judgements made by management in respect of the carrying value of the producing assets to be reasonable. The disclosures in the notes, including the critical judgments are in line with accounting standards.
Carrying value of exploration and evaluation assets See notes 1 and 11	The non-producing exploration assets of the Group are classified as intangible assets within non-current assets in the statement of financial position. There are inherent uncertainties around the recoverability of exploration and evaluation assets. Based on the assumptions set out, no impairment was recognised in 2022. The impairment reviews require judgment and estimation in determining whether indicators of impairment exist in accordance with the requirements of IFRS 6 Exploration for and evaluation of mineral resources ("IFRS 6"). Management is required to prepare appropriate disclosure in accordance with applicable accounting standards.	We obtained management's impairment assessment and confirmed there is an ongoing plan to continue to explore and evaluate the licence areas by making enquiries of management and corroborating to the group's forecasts. We verified that the licences remain valid. Our specific audit testing in this regard included: • The verification of licence status, in order to confirm legal title. • Reviewing exploration activity to assess whether there was any evidence from exploration results to date which would indicate a potential impairment.

Key audit matter		How the scope of our audit addressed the key audit matter
	The Moroccan licence is due to expire in November 2022 and the renewal is dependent on finding a farm-in partner and making a successful application for renewal. As a result of these factors this represented a key focus area for our audit and a key audit matter.	• Obtaining approved budgets, assessing the consistency of budget with going concern cash flow forecast and minutes of Board meetings to confirm whether or not the Group intended to continue to explore specific licences either through a potential transaction such as a farm out, or through exploration undertaken by the Group. • Making enquiries of managements' plan to find a farm-in partner and submit a renewal of the Moroccan licence and corroborating to supporting documentation. • Testing the additions to intangible assets for eligibility against the criteria for capitalisation in IFRS 6, including reviewing the Serenity farm-in agreement. We assessed the appropriateness of the disclosures included in the financial statements given in notes 1 and 11, in line with the requirements of the applicable accounting standards. **Key observations:** We consider the judgements and estimates made by management in determining the carrying value of exploration and evaluation assets are reasonable. We draw attention to the disclosure in note 1 to the financial statements which explains that the recoverability of the projects in Morocco is dependent on the successful completion of a transaction with a farm-in partner and renewal of the licence. The financial statements do not include any adjustments that would result if the group was unable to complete such an arrangement and not fully recover the carrying value of the intangible asset.
Recoverability of the net investment in subsidiaries (Parent Company). See notes 15 and 24	The Parent Company's net investment in subsidiaries is £15,613,000. The carrying value of the net investment in subsidiaries is ultimately dependent on the value of the underlying assets. Management are required to exercise their judgment in assessing the recoverability of expected credit losses (ECL) required on inter company receivables, including considerations of the future profitability and associated cash flows. As a result of these factors this represented a key focus area for our audit and a key audit matter.	Where the Company's credit loss models for intercompany loans are linked to the underlying subsidiaries economic models, we assessed these in line with our work over the carrying value of producing assets (see key audit matter above). We reviewed management's approach for consistency compared to previous periods and requested explanations for changes which we corroborated to supporting documentation. We reviewed the adequacy and completeness of the accounting policies and disclosures for compliance with IFRS 9. **Key observations:** We consider the judgements made by management in respect of the Recoverability of Intercompany receivables to be reasonable.

Independent auditor's report (continued)

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2022	2021	**2022**	2021
Materiality	**256,000**	120,000	**150,000**	40,000
Basis for determining materiality	1.5% of total assets (rounded).		60% of group materiality (rounded) (2021: 33% of group materiality)	
Rationale for the benchmark applied	We consider total assets to be the financial metric of the most interest to shareholders and other users of the financial statements, given the Group's principal activity in oil and gas exploration. We therefore consider this to be an appropriate basis for materiality.		Percentage of group materiality based on the proportionate share of gross assets	
Performance materiality	**192,000**	90,000	**112,500**	30,000
Basis for determining performance materiality	75% of Group Materiality considering the nature of activities and the low level of expected misstatements.		75% of Parent company Materiality considering the nature of activities and the low level of expected misstatements.	

Component materiality

We set materiality for each component of the Group based on a percentage of between 9% and 95% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £24,000 to £243,000 (2021: ranging from £17,000 to £114,000). In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £5,120 (2021: £2,400). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Holding discussions with management and the audit committee to understand the laws and regulations relevant to the Group and the Parent company. These included the significant laws and regulations relating to the oil and gas industry in the UK, Ireland and Morocco, the financial reporting framework, QCA Code, tax legislation and environmental regulations. Our procedures included the following:

- We understood how the Group is complying with these laws and regulations by holding discussions with management, the audit committee, and those responsible for legal and compliance procedures to determine any known or suspected instances of non-compliance with laws and regulations or fraud identified by them. We corroborated our enquiries through our review of board minutes and other supporting documentation;
- Reviewing the licences to assess the extent to which the Group was in compliance with the conditions of the licence and considering management's assessment of the impact of instances of non-compliance where applicable.

Independent auditor's report (continued)

We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be manipulation of the financial result through journal entries and the assumptions and estimates used in the impairment assessment for producing assets. Our procedures included the following:

- Testing the appropriateness of journal entries made through the year by applying specific criteria to detect possible irregularities and fraud;
- Performing a detailed review of the Group's year-end adjusting entries and investigating any that appear unusual as to nature or amount and agreeing to supporting documentation;
- For significant and unusual transactions, particularly those occurring at or near year-end, obtaining evidence for the rationale of these transactions;
- Assessing the judgements made by management when making key accounting estimates and judgements, and challenging management on the appropriateness of these judgements (refer to key audit matters above); and
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remaining alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Black
Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor
London,
United Kingdom
11 November 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income
For the year ended 31 July

	Note	2022 £000	2021 £000
Revenue	2	**6,584**	1,372
Cost of sales	2	***(3,806)***	*(1,249)*
Impairment of producing fields	12	***(570)***	–
Total cost of sales		**(4,376)**	(1,249)
Gross profit		**2,208**	123
Exploration write-off	11	**–**	(12)
Administrative expenses		**(821)**	(717)
Finance income	6	**239**	3
Finance expense	7	**(238)**	(242)
Profit/(loss) before taxation	3	**1,388**	(845)
Taxation (expense)/credit	8	**(32)**	127
Profit/(loss) for the year		**1,356**	(718)
Other comprehensive loss			
Items which will not be reclassified to profit/(loss)			
Loss on investment revaluation	9	**(18)**	(2)
Total other comprehensive loss		**(18)**	(2)
Total comprehensive income/(loss) for the year attributable to the equity shareholders of the parent		**1,338**	(720)

	Note	Pence per share	Pence per share
Earnings per share (EPS) attributable to the equity shareholders of the parent			
Basic EPS	10	**0.19p**	(0.15)p
Diluted EPS		**0.18p**	(0.15)p

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 31 July

	Note	2022 £000	2021 £000
Assets			
Non-current assets			
Intangible assets	11	**3,785**	6,438
Property, plant and equipment	12	**3,021**	369
Total non-current assets		**6,806**	6,807
Current assets			
Investments	13	**24**	42
Inventories	14	**36**	23
Trade and other receivables	15	**1,866**	522
Restricted cash	16	**6,884**	230
Cash and cash equivalents		**1,394**	641
Total current assets		**10,204**	1,458
Total assets		**17,010**	8,265
Liabilities			
Current liabilities			
Loans	18	**(40)**	(10)
Trade and other payables	17	**(1,573)**	(1,556)
Total current liabilities		**(1,613)**	(1,566)
Non-current liabilities			
Loans	18	**–**	(40)
Trade and other payables	17	**(4)**	(17)
Long-term provisions	21	**(4,164)**	(3,393)
Total non-current liabilities		**(4,168)**	(3,450)
Total liabilities		**(5,781)**	(5,016)
Net assets		**11,229**	3,249
Capital and reserves attributable to equity holders of the parent			
Share capital	22	**9,565**	5,665
Share premium	22	**23,660**	21,157
Merger reserve	22	**2,868**	2,868
Retained deficit		**(24,864)**	(26,441)
Total equity		**11,229**	3,249

These financial statements were approved by the Board of Directors and authorised for issue on 11 November 2022 and signed on its behalf by:

Will Holland
Chief Financial Officer

Company registration number 05217946

The accompanying notes form part of these financial statements.

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 2020	**4,447**	**21,010**	**2,868**	**(25,838)**	**2,487**
Comprehensive loss for the year					
Loss for the year attributable to the equity shareholders of the parent	–	–	–	(718)	(718)
Other comprehensive loss attributable to the equity shareholders of the parent	–	–	–	(2)	(2)
Total comprehensive loss for the year	**–**	**–**	**–**	**(720)**	**(720)**
Contributions by and distributions to owners					
Issue of share capital	1,218	225	–	–	1,443
Issue of share warrants(note 23)	–	(78)	–	78	–
Share-based payments (note 23)	–	–	–	39	39
Total contributions by and distributions to owners	**1,218**	**147**	**–**	**117**	**1,482**
Balance at 31 July 2021	**5,665**	**21,157**	**2,868**	**(26,441)**	**3,249**
Balance at 1 August 2021	5,665	21,157	2,868	(26,441)	3,249
Comprehensive profit for the year					
Profit for the year attributable to the equity shareholders of the parent	–	–	–	1,356	1,356
Other comprehensive loss attributable to the equity shareholders of the parent	–	–	–	(18)	(18)
Total comprehensive profit for the year	**–**	**–**	**–**	**1,338**	**1,338**
Contributions by and distributions to owners					
Issue of share capital	3,900	2,722	–	–	6,622
Issue of share warrants(note 23)	–	(219)	–	219	–
Share-based payments (note 23)	–	–	–	20	20
Total contributions by and distributions to owners	**3,900**	**2,503**	**–**	**239**	**6,642**
Balance at 31 July 2022	**9,565**	**23,660**	**2,868**	**(24,864)**	**11,229**

The accompanying notes form part of these financial statements.

Company statement of financial position

As at 31 July

	Note	2022 £000	2021 £000
Assets			
Non-current assets			
Property, plant and equipment	12	**26**	23
Investments	13	**2,343**	2,343
Amounts due from Group companies	15, 24	**13,270**	588
Total non-current assets		**15,639**	2,954
Current assets			
Other receivables	15	**163**	69
Cash and cash equivalents		**249**	272
Total current assets		**412**	341
Total assets		**16,051**	3,295
Liabilities			
Current liabilities			
Loans	18	**(40)**	(10)
Trade and other payables	17	**(546)**	(652)
Total current liabilities		**(586)**	(662)
Loans	18	**–**	(40)
Trade and other payables	17	**(3)**	(11)
Total non-current liabilities		**(3)**	(51)
Total liabilities		**(589)**	(713)
Net assets		**15,462**	2,582
Capital and reserves attributable to equity holders of the parent			
Share capital	22	**9,565**	5,665
Share premium	22	**23,660**	21,157
Merger reserve	22	**2,868**	2,868
Retained deficit		**(20,631)**	(27,108)
Total equity		**15,462**	2,582

The Company has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish its individual statement of comprehensive income and related notes. The profit dealt with in the financial statements of the parent Company is £6,238,000 (2021: loss of £1,485,000).

These financial statements were approved by the Board of Directors and authorised for issue on 11 November 2022, and signed on its behalf by:

Will Holland
Chief Financial Officer

Company registration number 05217946

The accompanying notes form part of these financial statements.

Company statement of changes in equity

	Share capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total equity £000
Balance at 1 August 2020 originally stated	**4,447**	**21,010**	**2,868**	**(25,740)**	**2,585**
Comprehensive loss for the year					
Loss for the year attributable to the equity shareholders of the parent	–	–	–	(1,485)	(1,485)
Total comprehensive loss for the year	**–**	**–**	**–**	**(1,485)**	**(1,485)**
Contributions by and distributions to owners					
Issue of share capital	1,218	225	–	–	1,443
Issue of share warrants (note 23)	–	(78)	–	78	–
Share-based payments (note 23)	–	–	–	39	39
Total contributions by and distributions to owners	**1,218**	**147**	**–**	**117**	**1,482**
Balance at 31 July 2021	**5,665**	**21,157**	**2,868**	**(27,108)**	**2,582**
Balance at 1 August 2021 originally stated	5,665	21,157	2,868	(27,108)	2,582
Comprehensive profit for the year					
Profit for the year attributable to the equity shareholders of the parent	–	–	–	6,238	6,238
Total comprehensive profit for the year	–	–	–	6,238	6,238
Contributions by and distributions to owners					
Issue of share capital	3,900	2,722	–	–	6,622
Issue of share warrants (note 23)	–	(219)	–	219	–
Share-based payments (note 23)	–	–	–	20	20
Total contributions by and distributions to owners	**3,900**	**2,503**	**–**	**239**	**6,642**
Balance at 31 July 2022	**9,565**	**23,660**	**2,868**	**(20,631)**	**15,462**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 July

	Note	2022 £000	2021 £000
Cash flows from/(used in) operating activities			
Profit/(loss) after tax from continuing operations		**1,356**	(718)
Adjustments for:			
Share-based payments	23	**20**	39
Depreciation	12	**1,618**	107
Impairment of producing field	12	**570**	–
Exploration write off	11	**–**	12
Finance income	6	**–**	(3)
Finance expense	7	**238**	242
Taxation credit recognised in profit and loss	8	**32**	(127)
Increase in trade and other receivables		**(1,344)**	(288)
Increase in inventories		**(13)**	(11)
Increase in trade and other payables		**18**	85
Net cash generated by/(used) in operations		**2,495**	(662)
Income taxes repayment received		**(32)**	127
Net cash generated by/(used) in operating activities		**2,463**	(535)
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(403)**	–
Purchase of intangible assets		**(1,246)**	(985)
Cash guarantee re Morocco	16	**–**	(4)
Cash escrow deposit re Serenity	16	**(6,621)**	–
Interest received		**–**	3
Net cash used in investing activities		**(8,270)**	(986)
Cash flows from financing activities			
Gross proceeds from issue of share capital	22	**7,020**	1,583
Costs incurred on issue of share capital		**(398)**	(140)
Proceeds from borrowings		**–**	225
Repayment of borrowings		**(10)**	(225)
Lease liability payments		**(14)**	(35)
Lease liability interest payments		**(2)**	(2)
Finance costs		**(3)**	(7)
Net cash from financing activities		**6,593**	1,399
Net increase/(decrease) in cash and cash equivalents		**786**	(122)
Exchange gain/(loss) on cash and cash equivalents		**(33)**	(5)
Cash and cash equivalents at beginning of year		**641**	768
Cash and cash equivalents at end of year		**1,394**	641

The accompanying notes form part of these financial statements.

Company statement of cash flows

For the year ended 31 July

	Note	2022 £000	2021 £000
Cash flows from/(used in) operating activities			
Profit/(loss) after tax from continuing operations		**6,238**	(1,485)
Adjustments for:			
Share-based payments	23	**20**	39
Depreciation	12	**10**	32
Movement in intercompany loan provision	24	**(5,720)**	1,921
Finance income		**(810)**	(654)
Finance expense		**2**	5
Increase in trade and other receivables		**(93)**	(16)
(Decrease)/increase in trade and other payables		**(106)**	36
Net cash used in operating activities		**(459)**	(122)
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(13)**	–
Movement on loans to Group companies		**(6,152)**	(1,306)
Net cash used in investing activities		**(6,165)**	(1,306)
Cash flows from/(used in) financing activities			
Gross proceeds from issue of share capital	22	**7,020**	1,583
Costs incurred on issue of share capital		**(398)**	(140)
Proceeds from borrowings		**–**	225
Repayment of borrowings		**(10)**	(225)
Lease liability principal payment		**(8)**	(26)
Lease liability interest payment		**(1)**	(1)
Finance costs		**(2)**	(4)
Net cash from financing activities		**6,601**	1,412
Net decrease in cash and cash equivalents		**(23)**	(16)
Exchange gain on cash and cash equivalents		**–**	–
Cash and cash equivalents at beginning of year		**272**	288
Cash and cash equivalents at end of year		**249**	272

The accompanying notes form part of these financial statements.

Notes to the financial statements

1. Accounting policies

General information

Europa Oil & Gas (Holdings) plc is a Company incorporated and domiciled in England and Wales with registered number 05217946. The address of the registered office is 30 Newman Street, London, W1T 1PT.

The functional and presentational currency of the Company is Sterling (UK£).

Basis of accounting

The consolidated and individual Company financial statements have been prepared in accordance with applicable with UK adopted International Accounting Standards.

The accounting policies that have been applied in the opening statement of financial position have also been applied throughout all periods presented in these financial statements. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 July 2022.

Going concern

The Directors have prepared a cash flow forecast for the period ending 31 December 2023, which considers the continuing and forecast cash inflow from the Group's producing assets, the cash held by the Group at October 2022, less administrative expenses and planned capital expenditure.

The Directors performed sensitivities on the cash flow allowing for a 30% fall in the expected oil price from a base case price of $85 per barrel five-year average and, separately, a 15% fall in the expected overall production across all fields from a base case of 225 barrels per day during the 2023 fiscal year net to Europa. Oil price estimates are based upon industry analyst expectations, whilst production estimates are sourced from the Group's internal modelling for Wressle and recent actual production.

These sensitivities have been modelled as a reverse stress test, and the Directors consider the likelihood of such movements to be very low. The Directors have also run sensitivities allowing for reasonably possible simultaneous falls in oil price and in Wressle production, and the Group and Company had sufficient cash resources to meet their obligations.

The Directors have concluded, as at the date of approval of these financial statements, that there is a reasonable expectation that the Group and Company will still have sufficient cash resources to be able to continue as a going concern and meet its obligations as and when they fall due over the going concern period.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. Intra Group balances are eliminated on consolidation. Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group is engaged in oil and gas exploration, development and production through unincorporated joint operations.

Joint arrangements

Joint arrangements are those arrangements in which the Group holds an interest on a long-term basis which are jointly controlled by the Group and one or more venturers under a contractual arrangement. When these arrangements do not constitute entities in their own right, the consolidated financial statements reflect the relevant proportion of costs, revenues, assets and liabilities applicable to the Group's interests in accordance with IFRS 11. The Group's exploration, development and production activities are presently conducted jointly with other companies in this way.

For the licences where the Group does not hold 100% equity a joint arrangement exists. The equity and voting interest of the Group is disclosed in the table, activities are typical for activities in the oil and gas sector and are strategic to the Group's activities. The principal place of business for all the joint arrangements is the UK.

1. Accounting policies (continued)

Revenue recognition

The Group follows IFRS 15. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue when control passes on the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Contracts with customers are presented in an entity's balance sheet as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. The Group's accounting policy under IFRS 15 is that revenue is recognised when the Group satisfies a performance obligation by transferring oil to a customer. The title to oil and gas typically transfers to a customer at the same time as the customer takes physical possession of the oil or gas. Typically, at this point in time, the performance obligations of the Group are fully satisfied.

Revenue is measured based on the consideration to which the Group expects to be entitled under the terms of a contract with a customer. The consideration is determined by the quantity and price of oil and gas delivered to the customer at the end of each month.

Non-current assets

Oil and gas interests

The financial statements with regard to oil and gas exploration and appraisal expenditure have been prepared under the full cost basis. This accords with IFRS 6 which permits the continued application of a previously adopted accounting policy. The unit of account for exploration and evaluation assets is the individual licence.

Pre-production assets

Pre-production assets are categorised as intangible assets on the statement of financial position. Pre-licence expenditure is expensed as directed by IFRS 6. Expenditure on licence acquisition costs, geological and geophysical costs, costs of drilling exploration, appraisal and development wells, and an appropriate share of overheads (including Directors' costs) are capitalised and accumulated on a licence-by-licence basis. These costs which relate to the exploration, appraisal and development of oil and gas interests are initially held as intangible non-current assets pending determination of technical feasibility and commercial viability. On commencement of production these costs are tested for impairment prior to transfer to production assets. If licences are relinquished, or assets are not deemed technically feasible or commercially viable, accumulated costs are written off to cost of sales.

Production assets

Production assets are categorised within property, plant and equipment on the statement of financial position. With the determination of commercial viability and approval of an oil and gas project the related pre-production assets are transferred from intangible non-current assets to tangible non-current assets and depreciated upon commencement of production within the appropriate cash generating unit.

Impairment tests

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units) as disclosed in notes 11 and 12. As a result, some assets are tested individually for impairment and some are tested at cash generating unit level.

Impairment tests are performed when indicators as described in IAS 36 are identified. In addition, indicators such as a lack of funding or farmout options for a licence which is approaching termination or the implied value of a farm-out transaction are considered as indicators of impairment.

An impairment loss is recognised and charged to cost of sales for the amount by which the asset's or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation

All expenditure within tangible non-current assets is depreciated from the commencement of production, on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of proven plus probable commercial reserves at the end of the period, plus the production in the period. Costs used in the unit of production calculation comprise the net book value of capitalised costs. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Furniture and computers are depreciated on a 25% per annum straight line basis.

1. Accounting policies (continued)

Non-current assets (continued)

Reserves

Proven and probable oil and gas reserves are estimated quantities of commercially producible hydrocarbons which the existing geological, geophysical and engineering data shows to be recoverable in future years. The proven reserves included herein conform to the definition approved by the Society of Petroleum Engineers (SPE) and the World Petroleum Congress (WPC). The probable and possible reserves conform to definitions of probable and possible approved by the SPE/WPC using the deterministic methodology. Reserves used in accounting estimates for depreciation are updated periodically to reflect management's view of reserves in conjunction with third party formal reports. Reserves are reviewed at the time of formal updates or as a consequence of operational performance, plans and the business environment at that time.

Reserves are adjusted in the year that formal updates are undertaken or as a consequence of operational performance and plans, and the business environment at that time, with any resulting changes not applied retrospectively.

Future decommissioning costs

A provision for decommissioning is recognised in full at the point that the Group has an obligation to decommission an appraisal, development or producing well. A corresponding non-current asset (included within producing fields in note 12) of an amount equivalent to the provision is also created. The amount recognised is the estimated cost of decommissioning, discounted to its net present value and is reassessed each year in accordance with local conditions and requirements. For producing wells, the asset is subsequently depreciated as part of the capital costs of production facilities within tangible non-current assets, on a unit of production basis. Any decommissioning obligation in respect of a pre-production asset is carried forward as part of its cost and tested annually for impairment in accordance with the above policy.

Changes in the estimates of commercial reserves or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the decommissioning asset. The unwinding of the discount on the decommissioning provision is included within finance expense.

Acquisitions of exploration licences

Acquisitions of exploration licences through acquisition of non-operational corporate structures that do not represent a business, and therefore do not meet the definition of a business combination, are accounted for as the acquisition of an asset. Related future consideration that is contingent is not recognised as an asset or liability until the contingent event has occurred.

Taxation

Current tax is the tax payable based on taxable profit/(loss) for the year.

Deferred income taxes are calculated using the balance sheet liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. Tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary difference will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Foreign currency

The Group and Company prepare their financial statements in Sterling.

Transactions denominated in foreign currencies are translated at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

Any exchange differences arising on the settlement of items or on translating items at rates different from those at which they were initially recorded are recognised in the Statement of comprehensive income in the period in which they arise. Exchange differences on non-monetary items are recognised in the Statement of changes in equity to the extent that they relate to a gain or loss on that non-monetary item taken to the Statement of changes in equity, otherwise such gains and losses are recognised in the Statement of comprehensive income.

Europa Oil & Gas (Holdings) plc is domiciled in the UK, which is its primary economic environment, and the Company's functional currency is Sterling. The Group's current operations are based in the UK and Ireland and the functional currencies of the Group's entities are the prevailing local currencies in each jurisdiction. Given that the functional currency of the Company is Sterling, management has elected to continue to present the consolidated financial statements of the Group and Company in Sterling.

1. Accounting policies (continued)

Investments

Investments, which are only investments in subsidiaries, are carried at cost less any impairment. Additions include the net value of share options issued to employees of subsidiary companies less any lapsed, unvested options.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified as either financial assets at amortised cost, at fair value through other comprehensive income ("FVTOCI") or at fair value through profit or loss ("FVPL") depending upon the business model for managing the financial assets and the nature of the contractual cash flow characteristics of the financial asset.

A loss allowance for expected credit losses is determined for all financial assets, other than those at FVPL, at the end of each reporting period. The Group applies a simplified approach to measure the credit loss allowance for trade receivables using the lifetime expected credit loss provision. The lifetime expected credit loss is evaluated for each trade receivable taking into account payment history, payments made subsequent to year end and prior to reporting, past default experience and the impact of any other relevant and current observable data. The Group applies a general approach on all other receivables classified as financial assets. The general approach recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or have expired.

Fair value through other comprehensive income

The Group has a number of strategic investments in listed and unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the Group has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investment's carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

Amortised cost

This category is the most relevant to the Company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The losses arising from impairment are recognised in a separate line in the income statement. This category generally applies to trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents are carried at cost and include all highly liquid investments with a maturity of three months or less.

Restricted cash are those amounts held by third parties on behalf of the Group and are not available for the Group's use; these are accounted for separately from cash and cash equivalents.

Financial liabilities

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics. All purchases of financial liabilities are recorded on trade date, being the date on which the Group becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Group's financial liabilities approximate to their fair values. The Group's financial liabilities consist of financial liabilities measured at amortised cost and financial liabilities at fair value through profit or loss.

Trade and other payables

Trade and other payables are initially recorded at fair value and subsequently carried at amortised cost.

Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the statement of comprehensive income.

1. Accounting policies (continued)

Treatment of finance costs

All finance costs are expensed through the income statement. The Group does not incur any finance costs that qualify for capitalisation.

Defined contribution pension schemes

The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

Inventories

Inventories comprise oil in tanks stated at the lower of cost and net realisable value. Cost is determined by reference to the actual cost of production in the period.

Share-based payments

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to reserves. Where options over the parent Company's shares are granted to employees of subsidiaries of the parent, the charge is recognised in the statement of comprehensive income of the subsidiary. In the parent Company accounts there is an increase in the cost of the investment in the subsidiary receiving the benefit.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if the number of share options ultimately exercised is different to that initially estimated.

Upon exercise of share options, the proceeds received, net of attributable transaction costs, are credited to share capital, and where appropriate share premium.

Critical accounting judgements and key sources of estimation uncertainty

Details of the Group's significant accounting judgements and critical accounting estimates are set out in these financial statements and include:

- Carrying value of intangible assets (note 11) – carrying values are justified with reference to indicators of impairment as set out in IFRS 6. Based on judgements at 31 July 2022 there was £nil write off (2021: £12k write off of costs on the PEDL 299 licence). The licence in Morocco expires in November 2022 and its renewal is dependent on finding a farm-in partner. These financial statements do not include the adjustments that would result if the licence was not renewed.
- Carrying value of property, plant and equipment (note 12) – carrying values are justified by reference to future estimates of cash flows, discounted at appropriate rates. At 31 July 2022 there was £570k write off related to West Firsby and Crosby Warren, which predominantly related to the impairment of the additional decommissioning assets created by a commensurate increase in the decommissioning liability for these producing assets.
- Deferred taxation (note 20) – assumptions regarding the future profitability of the Group and whether the deferred tax assets will be recovered.
- Decommissioning provision (note 21) – inflation and discount rate estimates (3% and 10% respectively) are used in calculating the provision, along with third party estimates of remediation costs.
- Share based payments (note 23) – measurement of the fair value of options granted uses valuation techniques where active market quotes are not available. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.
- Reserves and resources (note 12) – reserves and resources are estimated based on management's view and third party formal reports and these estimates directly impact the recoverability of asset carrying values that are reported in the financial statements.

2. Operating segment analysis

In the opinion of the Directors the Group has four reportable segments as reported to the Chief Executive Officer, being the UK, Ireland, Morocco and new ventures.

The reporting on these segments to management focuses on revenue, operating costs and capital expenditure. The impact of such criteria is discussed further in the Chairman's statement and strategic report of this annual report.

Income statement for the year ended 31 July 2022

	UK £000	Ireland £000	Morocco £'000	New ventures £000	Total £000
Revenue	6,584	–	–	–	6,584
Cost of sales	*(3,806)*	–	–	–	*(3,806)*
Impairment of producing fields	*(570)*	–	–	–	*(570)*
Cost of sales	(4,376)	–	–	–	(4,376)
Gross profit	**2,208**	**–**	**–**	**–**	**2,208**
Exploration write-off	–	–	–	–	–
Administrative expenses	(1,082)	268	–	(7)	(821)
Finance income	205	1	33	–	239
Finance costs	(238)	–	–	–	(238)
Profit before tax	**1,093**	**269**	**33**	**(7)**	**1,388**
Taxation	(32)	–	–	–	(32)
Profit for the year	**1,061**	**269**	**33**	**(7)**	**1,356**

Segmental assets and liabilities as at 31 July 2022

	UK £000	Ireland £000	Morocco £000	New ventures £'000	Total £000
Non-current assets	3,624	1,796	1,386	–	6,806
Current assets	9,941	–	263	–	10,204
Total assets	**13,565**	**1,796**	**1,649**	**–**	**17,010**
Non-current liabilities	(4,168)	–	–	–	(4,168)
Current liabilities	(1,594)	(19)	–	–	(1,613)
Total liabilities	**(5,762)**	**(19)**	**–**	**–**	**(5,781)**
Other segment items					
Capital expenditure – cash flow	795	129	725	–	1,649
Depreciation	1,618	–	–	–	1,618
Share-based payments	20	–	–	–	20

2. Operating segment analysis (continued)

Income statement for the year ended 31 July 2021

	UK £000	Ireland £000	Morocco £'000	New ventures £000	Total £000
Revenue	1,372	–	–	–	1,372
Cost of sales	*(1,249)*	–	–	–	*(1,249)*
Impairment of producing fields	–	–	–	–	–
Cost of sales	(1,249)	–	–	–	(1,249)
Gross profit	**123**	**–**	**–**	**–**	**123**
Exploration write-off	(12)	–	–	–	(12)
Administrative expenses	(545)	(109)	(1)	(62)	(717)
Finance income	3	–	–	–	3
Finance costs	(242)	–	–	–	(242)
Loss before tax	**(673)**	**(109)**	**(1)**	**(62)**	**(845)**
Taxation	–	127	–	–	127
Loss for the year	**(673)**	**18**	**(1)**	**(62)**	**(718)**

Segmental assets and liabilities as at 31 July 2021

	UK £000	Ireland £000	Morocco £000	New ventures £'000	Total £000
Non-current assets	4,489	1,661	657	–	6,807
Current assets	1,228	–	230	–	1,458
Total assets	**5,717**	**1,661**	**887**	**–**	**8,265**
Non-current liabilities	(3,450)	–	–	–	(3,450)
Current liabilities	(1,203)	(363)	–	–	(1,566)
Total liabilities	**(4,653)**	**(363)**	**–**	**–**	**(5,016)**
Other segment items					
Capital expenditure	644	105	236	–	985
Depreciation	107	–	–	–	107
Share-based payments	117	–	–	–	117

100% of the total revenue (2021: 100%) relates to UK based customers. Of this figure, one end customer (2021: one) commands more than 99% of the total, including sales made through operators to the end customer. UK revenue by site was as follows: West Firsby £353,000 (2021: £321,000); Crosby Warren £651,000 (2021: £390,000); Whisby £696,000 (2021: £487,000); and Wressle £4,884,000 (2021: £174,000).

3. Profit/loss before taxation

Profit/loss before taxation is stated after charging:

	Note	**2022 £000**	2021 £000
Depreciation and amortisation on property, plant and equipment	12	**1,618**	107
Staff costs including Directors	5	**806**	652
Diesel		**163**	104
Business rates		**43**	52
Site safety and security		**89**	68
Exploration write-off	11	**–**	12
Impairment	12	**570**	–
Fees payable to the auditor for the audit		**70**	55
Operating leases – land and buildings		**43**	42
Foreign exchange (gain)/loss		**(239)**	3

4. Directors' emoluments

Directors' salaries and fees – Company and Group

	2022 £000	2021 £000
CW Ahlefeldt-Laurvig	**26**	18
P Greenhalgh (to 14 October 2020)	**–**	32
BJ O'Cathain	**41**	28
SG Oddie	**258**	146
S Williams	**31**	21
W Holland (appointed 1 June 2022)	**27**	–
	383	245

Directors' pensions

	2022 £000	2021 £000
P Greenhalgh (to 14 October 2020)	**–**	3
W Holland (appointed 1 June 2022)	**3**	–
	3	3

The above charge represents premiums paid to money purchase pension plans during the year.

Directors' share-based payments

	2022 £000	2021 £000
SG Oddie	**9**	20
BJ O'Cathain	**2**	4
S Williams	**2**	4
W Holland	**6**	–
	19	28

The above represents the accounting charge in respect of share options. No share options were exercised during the period (2021: none).

Directors' total emoluments

	2022 £000	2021 £000
Salaries and fees	**383**	245
Social security costs	**50**	28
Pensions	**3**	3
Share-based payments	**19**	28
	455	304

5. Employee information

Average monthly number of employees including Directors – Group

	2022 Number	2021 Number
Management and technical	**6**	7
Field exploration and production	**4**	4
	10	11

Staff costs – Group

	2022 £000	2021 £000
Wages and salaries (including Directors' emoluments)	**676**	528
Social security	**83**	62
Pensions	**27**	27
Share-based payments (note 23)	**20**	35
	806	652

Average monthly number of employees including Directors – Company

	2022 Number	2021 Number
Management and technical	**6**	7
	6	7

Staff costs – Company

	2022 £000	2021 £000
Wages and salaries (including Directors' emoluments)	**463**	345
Social security	**60**	39
Pensions	**12**	12
Share-based payments	**20**	33
	555	429

6. Finance income

	2022 £000	2021 £000
Bank interest received	**–**	3
Foreign exchange gains	**239**	–
	239	3

7. Finance expense

	2022 £000	2021 £000
Unwinding of discount on decommissioning provision (note 21)	**233**	230
Other finance expense	**5**	12
	238	242

8. Taxation

	2022 £000	2021 £000
Movement in deferred tax asset (note 20)	**318**	(176)
Movement in deferred tax liability (note 20)	**(318)**	176
Current tax – UK	**(32)**	–
R&D tax credits – Ireland	**–**	127
Tax (expense) credit	**(32)**	127

UK corporation tax is calculated at 40% (2021: 40%) of the estimated assessable profit for the year being the applicable rate for a ring-fence trade including the Supplementary Charge of 10%. From 24 May 2022 a new UK tax, the Excess Profits Levy ("EPL") applies to the Group, and it is levied at 25% of assessable EPL profits. The current tax expense for the year ending 31 July 2022 related exclusively to EPL.

	2022 £000	2021 £000
Profit/(loss) before tax	**1,388**	(845)
Tax reconciliation		
Profit/(loss) multiplied by the standard rate of corporation tax in the UK including Supplementary Charge of 40% (2021: 40%)	**555**	(338)
Expenses not deductible for tax purposes	**430**	94
Deferred tax asset not recognised	**235**	99
R&D tax credit received re prior years	**–**	127
Previously unrecognised tax losses utilised	**(1,187)**	–
Other reconciling items	**(1)**	(109)
Total tax expense/(credit)	**32**	(127)

Future changes to tax rates

The Finance Act 2021 increased the UK corporation tax rate from 19% to 25% effective 1 April 2023 for companies with profits in excess of GBP 250,000. The impact of this rate change on the Group is limited to the increase in the potential value of non-ring-fence UK trading losses which are currently not recognised (note 20).

9. Other comprehensive income

	2022 £000	2021 £000
Loss on investment revaluation	**(18)**	(2)

On 8 May 2019, the Group sold its interest in PEDL143 to UK Oil & Gas Plc ("UKOG") for 25,951,557 UKOG shares. At the time of the sale the shares were worth 1.156p each, resulting in a total value of £300,000. The investment was revalued at the year end to £24,000 (0.09p per share (2021: £42,000 (0.163p per share)). An irrevocable election has been made to record gains and losses arising on the shares as other comprehensive income.

10. Earnings per share

Basic earnings per share ("EPS") has been calculated on the loss after taxation divided by the weighted average number of shares in issue during the period. Diluted EPS uses an average number of shares adjusted to allow for the issue of shares on the assumed conversion of all in-the-money options.

As the Group made a loss from continuing operations in the prior year, any potentially dilutive instruments were considered to be anti-dilutive for that year. Therefore, the diluted EPS is equal to the basic EPS for the prior year. As at 31 July 2022 there were 37,607,821 (2021: 26,029,154) potentially dilutive instruments in issue.

The calculation of the basic and diluted earnings per share is based on the following:

	2022 £000	2021 £000
Profit/(loss) for the year attributable to the equity shareholders of the parent	**1,356**	(718)
Weighted average number of shares		
For the purposes of basic EPS	**700,028,629**	494,420,476
For the purpose of diluted EPS	**737,636,450**	494,420,476

Notes to the financial statements (continued)

11. Intangible assets

Intangible assets – Group

	2022 £000	2021 £000
At 1 August	**6,438**	4,965
Additions	**1,246**	1,485
Transferred to property, plant and equipment (note 12)	**(3,899)**	–
Exploration write-off	**–**	(12)
At 31 July	**3,785**	6,438

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

	2022 £000	2021 £000
Ireland FEL 4/19 (Inishkea)	**1,789**	1,662
UK PEDL180 (Wressle – transferred to tangible assets)	**–**	3,893
UK PEDL181	**81**	113
UK PEDL182 (Broughton North)	**34**	34
UK PEDL343 (Cloughton)	**92**	79
Morocco (Inezgane)	**1,379**	657
Serenity	**410**	–
Total	**3,785**	6,438

Exploration write-off

	2022 £000	2021 £000
UK PEDL299 (Hardstoft)	**–**	12
Total	**–**	12

In July 2022 the Group completed a farm-in agreement with i3 Energy plc in relation to UK offshore licence P.2358, Block 13/23c ("Serenity"). Under the farm-in agreement the Group will earn a participating interest of 25% by paying 46.25% of the cost of a single appraisal well (see note 28).

If the Group 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. Details of commitments are included in note 25.

12. Property, plant and equipment

Property, plant and equipment – Group

	Furniture & computers £000	Producing fields £000	Right of use assets £000	Total £000
Cost				
At 31 July 2020	6	10,887	147	11,040
Additions	–	–	–	–
Disposals	(1)	–	(80)	(81)
At 31 July 2021	5	10,887	67	10,959
Additions	13	928	–	941
Transferred from intangible assets (note 11)	–	3,899	–	3,899
At 31 July 2022	**18**	**15,714**	**67**	**15,799**
Depreciation, depletion and impairment				
At 31 July 2020	3	10,488	73	10,564
Charge for year	1	64	42	107
Disposal	(1)	–	(80)	(81)
At 31 July 2021	3	10,552	35	10,590
Charge for year	1	1,601	16	1,618
Disposal	–	–	–	–
Impairment in year	–	570	–	570
At 31 July 2022	**4**	**12,723**	**51**	**12,778**
Net book value				
At 31 July 2020	3	399	74	476
At 31 July 2021	2	335	32	369
At 31 July 2022	**14**	**2,991**	**16**	**3,021**

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

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 based on engineering estimates and recent production experience. Brent crude prices were based on the average of forecasts by four international firms of specialist oil and gas reserves auditors and a Big 4 accounting firm and ranged from:

- 2023: US$94 per barrel
- 2024: US$86 per barrel
- 2025: US$80 per barrel
- 2026 onwards: US$82 to $90 per barrel

The post-tax discount rate of 10% 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 five years.

Based on the assumptions set out above, an impairment of £570,000 was required in relation to the West Firsby and Crosby Warren fields (2021: no impairment was required). The recoverable amount was calculated at a discount rate of 10% (2021: 10%).

12. Property, plant and equipment (continued)

Sensitivity to key assumption changes

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

	Impairment of producing fields £000
Production decline rate	
+10%	–
-10%	–
Brent crude price per barrel	
$75 flat	–
$65 flat	–
Pre-tax discount rate	
20%	–
25%	–

Property, plant and equipment – Company

	Furniture & computers £000	Right of use assets £000	Total £000
Cost			
At 31 July 2020	6	117	123
Additions	–	–	–
Disposals	(1)	(80)	(81)
At 31 July 2021	5	37	42
Additions	13	–	13
At 31 July 2022	**18**	**37**	**55**
Depreciation			
At 31 July 2020	3	65	68
Charge for year	1	31	32
Disposals	(1)	(80)	(81)
At 31 July 2021	3	16	19
Charge for year	1	9	10
At 31 July 2022	**4**	**25**	**29**
Net book value			
At 31 July 2020	3	52	55
At 31 July 2021	2	21	23
At 31 July 2022	**14**	**12**	**26**

13. Investments – Group

Investment in shares

	2022 £000	2021 £000
At 1 August	**42**	44
Current year additions	**–**	–
Write off on revaluation	**(18)**	(2)
At 31 July	**24**	42

On 8 May 2019, the Group sold its interest in PEDL143 to UK Oil & Gas Plc ("UKOG") for 25,951,557 UKOG shares. At the time of the sale the shares were worth 1.156p each, resulting in a total value of £300,000. The investment was revalued at the year end to the value of £24,000 (0.09p per share) (2021: £42,000 (0.163p per share), with the loss being recorded in other comprehensive income (note 9).

Investments – Company

Investment in subsidiaries

	2022 £000	2021 £000
At 1 August	**2,343**	2,341
Current year additions	**–**	2
At 31 July	**2,343**	2,343

The Company's investments at the reporting date include 100% of the share capital in the following unlisted companies:

- Europa Oil & Gas Limited, which undertakes oil and gas exploration, development and production in the UK
- Europa Oil & Gas (West Firsby) Limited, which is non-trading
- Europa Oil & Gas (Ireland West) Limited, which held the interest in the FEL 2/13 licence
- Europa Oil & Gas (Ireland East) Limited, which held the interest in the FEL 3/13 and FEL 1/17 licences
- Europa Oil & Gas (Inishkea) Limited, which holds the interest in the FEL 4/19 and held the interest in FEL 3/19 licences
- Europa Oil & Gas (New Ventures) Limited, which holds the interest in the Moroccan licence

All six companies are registered in England and Wales, all having their registered office at 30 Newman Street, London W1T 1PT

The results of the six companies have been included in the consolidated accounts

Europa Oil & Gas Limited owns 100% of the ordinary share capital of Europa Oil & Gas (UK) Limited (registered in England and Wales and non-trading)

14. Inventories – Group

	2022 £000	2021 £000
Oil in tanks	**36**	23

15. Trade and other receivables

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Current trade and other receivables				
Trade receivables	**1,476**	330	**–**	–
Other receivables	**185**	67	**43**	11
Prepayments	**205**	125	**120**	58
	1,866	522	**163**	69
Non-current other receivables				
Owed by Group undertakings (note 24)	**–**	–	**13,270**	588

Notes to the financial statements (continued)

16. Restricted cash

	Group		Company	
	2022 £000	2021 £000	**2022 £000**	2021 £000
Cash guarantee	**263**	230	**–**	–
Security escrow funds	**6,621**	–	**–**	–
	6,884	230	**–**	–

Pursuant to the requirements of the farm-in agreement with i3 Energy plc in relation to UK offshore licence P.2358, Block 13/23c ("Serenity"), the Group deposited into an escrow account the full remaining committed funding requirement for its paying share of the 2022 appraisal well. i3 Energy plc is able to draw funds actually incurred on the Serenity well from the escrow account and the account cannot be used for any other purpose. The escrow account is treated as restricted cash.

A requirement of the petroleum agreement with the National Office of Hydrocarbons and Mines ("ONHYM") was the setting up of a guarantee for $315,000 (£263,000) (2021: $315,000 (£230,000)). This is treated as restricted cash.

17. Trade and other payables

	Group		Company	
	2022 £000	2021 £000	**2022 £000**	2021 £000
Current trade and other payables				
Trade payables	**1,234**	963	**480**	503
Lease liabilities	**13**	31	**8**	19
Corporation tax payable	**32**	–	**–**	–
Other payables	**294**	562	**58**	130
	1,573	1,556	**546**	652
Non-current trade and other payables				
Lease liabilities	**4**	17	**3**	11

18. Borrowings

	Group		Company	
	2022 £000	2021 £000	**2022 £000**	2021 £000
Loans repayable in less than 1 year				
Bounce Back Loan	**40**	10	**40**	10
Total short-term borrowing	**40**	10	**40**	10
Loans repayable in 1 to 2 years				
Bounce Back Loan	**–**	10	**–**	10
Loans repayable in 2 to 5 years				
Bounce Back Loan	**–**	30	**–**	30
Loans repayable in over 5 years				
Bounce Back Loan	**–**	–	**–**	–
Total long-term borrowing	**–**	40	**–**	40

In June 2020 the Group drew down on a Bounce Back Loan for £50,000 under the Government's Covid-19 policies. The loan is repayable within six years of drawdown but with a 12-month holiday and repayments started in July 2021. The annual rate of interest is 2.5%. The loan was repaid in full in 19 January 2021.

On 19 January 2021 the Group entered into a related party loan agreement with CW Ahlefeldt-Laurvig (a Group Non-Executive Director and shareholder). Under this agreement, Europa Oil & Gas drew funds of £225,000 on 20 January 2021 for a term of four months (with the option of early repayment). The loan was unsecured and interest accrued on a daily basis at an effective interest rate of 12.57% per annum. The loan and accrued interest was fully repaid in March 2021.

19. Leases

	Group		Company	
	2022 £000	2021 £000	**2022 £000**	2021 £000
Amounts recognised in the statement of comprehensive income:				
Interest on right of use liabilities	**(2)**	(2)	**(1)**	(1)
Amounts recognised in the statement of cash flows:				
Repayment of lease liabilities – principal	**(14)**	(35)	**(8)**	(8)
Repayment of lease liabilities – interest	**(2)**	(2)	**(1)**	(1)
Maturity analysis (undiscounted):				
Amounts due within 1 year	**(14)**	(6)	**(8)**	(9)
Amounts due after more than 1 year & less than 5 years	**(2)**	(6)	**(2)**	(11)
Amounts due after more than 5 years	**–**	–	**–**	–

The Group's right of use asset comprises the lease of four vehicles (note 12). The corresponding lease liability for the right to use leased assets are included within trade and other payables in the statement of financial position (note 17).

20. Deferred tax – Group

	2022 £000	2021 £000
Recognised deferred tax asset:		
As at 1 August	**–**	–
(Charged)/credited to statement of comprehensive income	**–**	–
At 31 July	**–**	–

The Group has a deferred tax liability of £1,433,000 (2021: £1,290,000) arising from accelerated capital allowances and a deferred tax asset of £1,433,000 (2021: £1,290,000) arising from trading losses which will be utilised against future taxable profits. These were offset against each other, resulting in a £nil net asset/liability (2021: £nil net asset/liability). This offsetting was required because the Group settles current tax assets and liabilities on a net basis.

Non-recognised long-term deferred tax asset

The Group has a non-recognised deferred tax asset of £5,222,000 (2021: £4,259,000), which arises in relation to ring-fence UK trading losses of £8.9 million (2021: £4.8 million), non-ring-fence UK trading losses of £12.2 million (2021: £11.7 million) and subsidiary losses and carried forward capital expenditure of £6.7 million (2021: subsidiary losses of £1.8 million) that have not been recognised in the accounts as the timing of the utilisation of the losses is considered uncertain.

No deferred tax assets or liabilities are recognised in the Company.

21. Provisions – Group

Decommissioning provisions are based on third party estimates of work which will be required and the judgement of Directors. By their nature, the detailed scope of work required and timing are uncertain.

Long-term provisions

	2022 £000	2021 £000
As at 1 August	**3,393**	3,163
Charged to statement of comprehensive income (note 7)	**233**	230
Change in estimated phasing of cash flows	**538**	–
At 31 July	**4,164**	3,393

The increase in the estimated decommissioning provision resulted mainly from a reassessment of the estimated timings of when such decommissioning activities are undertaken at the end of their economic lives.

21. Provisions – Group (continued)

Sensitivity to key assumption changes

Variations to the key assumptions used in the decommissioning provision estimates would cause increases/(reductions) to the provision as follows:

	Further decommissioning provision £000
Inflation rate (current assumption 3%)	
2%	(134)
5%	215
Discount rate (current assumption 10%)	
5%	776
15%	(550)

No provisions have been recognised in the Company.

22. Called up share capital

	2022 £000	2021 £000
Allotted, called up and fully paid ordinary shares of 1p		
At 1 August 2021: 566,466,985 shares (1 August 2020: 444,691,599)	**5,665**	4,447
Issued in the year: 390,000,000 shares (2021: 121,775,386 shares)	**3,900**	1,218
At 31 July: 956,466,985 shares (2021: 566,466,985)	**9,565**	5,665

Ordinary shares issued

Date	Type of Issue	Number of shares	Issue price	Raised gross £000	Raised net of costs £000	Nominal value £000
28 March 2022	Placing	390,000,000	0.018	7,020	6,622	3,900
	Total	390,000,000		7,020	6,622	3,900

The costs of £398,000 incurred on the issue of share capital include £219,000 of non-cash expenses. All of the allotted shares are ordinary shares of the same class and rank pari passu. The following describes the purpose of each reserve within owners' equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value
Merger reserve	Reserve created on issue of shares on acquisition of subsidiaries in prior years
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

23. Share-based payments

The Group operates an approved Enterprise Management Incentive (“EMI”) share option scheme for employees and an unapproved scheme for grants in excess of EMI limits and for non-employees. Both schemes are equity-settled share-based payments as defined in IFRS 2 Share-based payments. A recognised valuation methodology is employed to determine the fair value of options granted as set out in the standard. The charge incurred relating to these options is recognised within operating costs.

Combined information for the two schemes operated by the Group is set out below.

There are 41,207,821 ordinary 1p share options/warrants outstanding (2021: 26,029,154).

These are held as follows:

Holder	31 July 2022	31 July 2021
BJ O’Cathain	**2,950,000**	2,950,000
SG Oddie	**9,200,000**	9,200,000
SA Williams	**2,500,000**	2,500,000
W Holland	**3,721,000**	–
Employees of the Group	**2,740,000**	3,425,000
Consultants and advisers	**20,096,821**	7,954,154
Total	**41,207,821**	26,029,154

The fair values of options were determined using a Black Scholes Merton model or, in the case of ones issued to advisers as part of the share issue, the fair value was deemed to be the share issue price. Volatility is based on the Company’s share price volatility since flotation.

In the year 15,863,667 options/warrants were granted, nil expired, 685,000 were forfeited, and none were exercised (2021: 21,404,154 granted, 2,223,458 expired, 17,355,000 forfeited, none exercised).

	2022 Number of options	2022 Average exercise price	2021 Number of options	2021 Average exercise price
Outstanding at the start of the year	**26,029,154**	**2.37p**	24,203,458	8.15p
Granted – employees/Directors	**3,721,000**	**2.31p**	13,450,000	1.23p
Granted – consultants	**–**	**–**	2,000,000	1.23p
Granted – advisers	**12,142,667**	**1.80p**	5,954,154	1.3p
Expired	**–**	**–**	(2,223,458)	2.8p
Forfeited	**(685,000)**	**7.00p**	(17,355,000)	12.85p
Outstanding at the end of the year	**41,207,821**	**2.02p**	26,029,154	2.37p
Exercisable at the end of the year	**18,096,821**	**1.64p**	9,814,154	2.84p

The 3,721,000 options granted in June 2022 vest 1,240,333 after each of 12, 24 and 36 months, are exercisable conditional upon the Europa Oil & Gas (Holdings) plc closing average mid-market share price being above 4.62p for 30 consecutive trading days and expire on the sixth anniversary of the grant date. The inputs used to determine their values are detailed in the table:

Grant date	1 June 2022
Number of options	3,721,000
Share price at grant	2.5p
Exercise price	2.31p
Volatility	62.8%
Dividend yield	Nil
Risk free investment rate	1.791%
Option life in years	6
Fair value per option	1.50p

The 12,142,667 warrants issued in March 2022 were issued to advisers as part of the share fund raise. The fair value to the options warrants was estimated to be 1.8p per warrant.

Based on the fair values above, the charge arising from employee share options was £20,000 (2021: £35,000). The charge relating to non-employee share options was £nil (2021: £4,000). The charge allocated direct to equity, relating to the issue of options on the issue of share capital, was £219,000 (2021: £78,000).

Share options/warrants outstanding at the end of the period have exercise prices ranging from 1.23p to 10.0p and the weighted average remaining contractual life at the end of the period was 3.4 years (2021: 3.8 years).

24. Financial instruments

The Group's and Company's financial instruments comprise cash and cash equivalents, bank borrowings, loans, and items such as trade and other receivables and trade and other payables which arise directly from its operations. Europa's activities are subject to a range of financial risks, the main ones being credit; liquidity; interest rates; commodity prices; foreign exchange; and capital. These risks are managed through ongoing review considering the operational, business and economic circumstances at that time.

Financial assets

	Amortised cost 2022 £'000	Amortised cost 2021 £'000	**Fair value through other comprehensive income 2022 £'000**	Fair value through other comprehensive income 2021 £'000
Investments	**–**	–	**24**	42
Trade and other receivables	**1,661**	397	**–**	–
Restricted cash	**6,884**	230	**–**	–
Cash and cash equivalents	**1,394**	641	**–**	–
Total financial assets	**9,939**	1,268	**24**	42

Financial liabilities

	Amortised cost 2022 £'000	Amortised cost 2021 £'000	**Fair value through other comprehensive income 2022 £'000**	Fair value through other comprehensive income 2021 £'000
Trade and other payables	**(1,577)**	(1,573)	**–**	–
Loans	**(40)**	(50)	**–**	–
Total financial liabilities	**(1,617)**	(1,623)	**–**	–

Credit risk

The Group is exposed to credit risk as all crude oil production is effectively sold to one multinational oil company. The customer is invoiced monthly for the oil delivered to the refinery in the previous month and invoices are generally settled in full within the same month that invoices are issued. At 31 July 2022 trade receivables were £1,476,000 (2021: £330,000). The fair value of trade receivables and payables approximates to their carrying value because of their short maturity. Any surplus cash is held on short-term deposit with Royal Bank of Scotland. The maximum credit exposure in the year was £1,433,000 comprising of mainly two months of Wressle sales, due to the invoice for June deliveries only being received on 1 August 2022 (2021: £175,000). The Company exposure to third party credit risk is negligible. The intercompany balances with its subsidiaries have been appropriately provided for to account for potential impairments.

Liquidity risk

The Company currently has no overdraft or overdraft facility with its bankers.

The Group and Company monitor their levels of working capital to ensure they can meet liabilities as they fall due. The following table shows the contractual maturities (representing the undiscounted cash flows) of the Group's and Company's financial liabilities.

	Group Trade and other payables		Company Trade and other payables	
At 31 July	**2022 £000**	2021 £000	**2022 £000**	2021 £000
6 months or less	**1,573**	1,556	**546**	652
Total	**1,573**	1,556	**546**	652

	Group loans		Company loans	
At 31 July	**2022 £000**	2021 £000	**2022 £000**	2021 £000
6 to 12 months	**40**	5	**40**	5
1 to 2 years	**–**	5	**–**	5
2 to 5 years	**–**	10	**–**	10
Over 5 years	**–**	30	**–**	30
Total	**40**	50	**40**	50

Cash and cash equivalents in both Group and Company are all available at short notice.

Trade and other payables do not normally incur interest charges. There is no difference between the fair value of the trade and other payables and their carrying amounts.

24. Financial instruments (continued)

Interest rate risk

The Group has immaterial interest-bearing liabilities (note 18) and leases (note 19). All loans and leases are at fixed rates of interest and the Group and Company are not exposed to changes in interest rates.

Commodity price risk

The selling price of the Group's production of crude oil is set at a small discount to Brent prices. The table below shows the range of prices achieved in the year and the sensitivity of the Group's loss before taxation ("LBT") or profit before tax ("PBT") to such movements in oil price. There would be a corresponding increase or decrease to net assets. There is no commodity price risk in the Company.

Oil price	Month	**2022 Price US$/bbl**	**2022 PBT £000**	2021 Price US$/bbl	2021 LBT £000
Highest	June 2022	**$122.40**	**1,723**	$73.60	(420)
Average		**$93.90**	**(208)**	$55.80	(845)
Lowest	August 2021	**$69.50**	**(1,864)**	$39.10	(1,262)

Foreign exchange risk

The Group's production of crude oil is invoiced in US$. Revenue is translated into Sterling using a monthly exchange rate set by reference to the market rate. The table below shows the range of average monthly US$ exchange rates used in the year and the sensitivity of the Group's PBT/LBT to similar movements in US$ exchange. There would be a corresponding increase or decrease in net assets.

US Dollar	Month	**2022 Rate US$/£**	**2022 PBT £000**	2021 Rate US$/£	2021 LBT £000
Highest	August 2021	**1.376**	**(373)**	1.418	(902)
Average		**1.313**	**(76)**	1.271	(845)
Lowest	July 2022	**1.216**	**443**	1.292	(775)

The table below shows the Group's currency exposures. Exposures comprise the net financial assets and liabilities of the Group that are not denominated in the functional currency.

		Group		Company	
Currency	Item	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Euro	Cash and cash equivalents	**92**	2	**3**	2
	Trade and other payables	**(13)**	(458)	**(13)**	(397)
US Dollar	Cash and cash equivalents	**1,322**	339	**3**	6
	Trade and other receivables	**1,435**	290	**–**	–
	Trade and other payables	**(5)**	–	**(5)**	–
Total		**2,831**	173	**(12)**	(389)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital. The Group defines capital as being the consolidated shareholder equity (note 22) and third-party borrowings (£40,000 at 31 July 2022). The Board monitors the level of capital as compared to the Group's long-term debt commitments and adjusts the ratio of debt to capital as is determined to be necessary, by issuing new shares, reducing or increasing debt, paying dividends and returning capital to shareholders. The Group has a £40k loan subject to an annual 2.5% interest charge and contractually repayable over six years with a one-year holiday and no early repayment penalty. Repayments commenced in July 2021 and the loan was fully repaid in August 2022.

Intercompany loans

The loans to the subsidiaries are not classified as repayable on demand. IFRS 9 requires consideration of the expected credit risk associated with the loan. As the subsidiary company does not have any liquid assets to sell to repay the loan, should it be recalled, the conclusion reached was that the loan should be categorised as stage 3.

As part of the assessment of expected credit losses of the intercompany loan receivable, the Directors have considered the published chance of success for Inishkea, and applying the same 33% general wildcat exploration success rate to Inezgane, the loans to Europa Oil & Gas Inishkea and Europa Oil & Gas New Ventures have thus been 67% provided.

The loan to Europa Oil & Gas (Ireland West) and Europa Oil & Gas (Ireland East) have been provided in full due to the relinquishment of the licence held by the subsidiaries.

During the year to 31 July 2022 there has been a marked increase in the expected recoverable reserves of the Group's Wressle producing asset which led to a partial reversal of previous provisions for impairment that had been made in relation to loans to Europa Oil Gas Ltd.

24. Financial instruments (continued)

Intercompany loans (continued)

The movement in the provision was as follows:

	Europa Oil & Gas Limited £000	Europa Oil & Gas (Ireland West) Limited £000	Europa Oil & Gas (Ireland East) Limited £000	Europa Oil & Gas (Inishkea) Limited £000	Europa Oil & Gas (New Ventures) Limited £000	Total £000
Gross loan balances						
Loan balance at 31 July 2020	18,585	763	1,480	796	504	22,128
Movement in loan	1,593	–	–	228	258	2,079
Loan balance at 31 July 2021	20,178	763	1,480	1,024	762	24,207
Movement in loan	6,357	18	15	144	428	6,962
Loan balance at 31 July 2022	**26,535**	**781**	**1,495**	**1,168**	**1,190**	**31,169**
Provisions						
Provision at 31 July 2020	(18,585)	(763)	(1,480)	(533)	(337)	(21,698)
Movement in provision	(1,593)	–	–	(154)	(174)	(1,921)
Provision at 31 July 2021	(20,178)	(763)	(1,480)	(687)	(511)	(23,619)
Movement in provision	6,135	(18)	(15)	(96)	(286)	5,720
Provision at 31 July 2022	**(14,043)**	**(781)**	**(1,495)**	**(783)**	**(797)**	**(17,899)**
Net loan balance at 1 August 2020	–	–	–	263	167	430
Net loan balance at 31 July 2021	–	–	–	337	251	588
Net loan balance at 31 July 2022	**12,492**	**–**	**–**	**385**	**393**	**13,270**

25. Capital commitments and guarantees

Following completion of the farm-in to Production Licence P.2358, Block 13/23c ("Serenity") £6.9 million was transferred into an escrow account held under an agreement with Law Debentures to cover the commitment to pay 46.25% of the appraisal well costs.

As part of the 18-month licence extension for FEL 4/19 there is an outstanding commitment totalling €0.6 million that relates primarily to seismic reprocessing.

To satisfy the terms of the Inezgane licence there is an outstanding commitment totalling £0.4 million that relates to the completion of the initial phase work programme mainly comprising seismic inversion and basin modelling. In addition, there is a commitment to provide a $0.1 million training contribution to ONHYM.

For PEDL181 there is a contingent commitment to drill two development wells into the Penistone formation, an exploration well for Broughton North and a gas to power project. These activities are contingent upon the budget being approved by the JV partnership. The total net cost to Europa for the work programme is estimated to be £1.35 million in 2023 and £3.66 million in 2024.

26. Operating lease commitments

Europa Oil & Gas Limited pays annual site rentals for the land upon which the West Firsby and Crosby Warren oil field facilities are located.

- The West Firsby lease can be terminated on two months' notice. The annual cost is currently £22,000 (2021: £22,000) increasing annually in line with the retail price index
- The Crosby Warren lease runs until December 2022 and can be terminated on three months' notice. The annual cost is currently £20,000 (2021: £20,000)

Future minimum lease payments are as follows:

	2022 £000	2021 £000
Less than 1 year	**9**	9
2-5 years	**–**	–
Total	**9**	9

27. Related party transactions

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. In the opinion of the Board, the Group's and the Company's key management are the Directors of Europa Oil & Gas (Holdings) plc. Information regarding their compensation is given in note 4.

During the year, the Company provided services to subsidiary companies as follows:

	2022 £000	2021 £000
Europa Oil & Gas Limited	**236**	1,208
Europa Oil & Gas (Inishkea) Limited	**42**	38
Europa Oil & Gas (New Ventures) Limited	**19**	25
Total	**297**	1,271

At the end of the year, after provisions, the Company was owed the following amounts by subsidiaries:

	2022 £000	2021 £000
Europa Oil & Gas Limited	**12,492**	–
Europa Oil & Gas (Inishkea) Limited	**385**	337
Europa Oil & Gas (New Ventures) Limited	**393**	251
Total	**13,270**	588

On 19 January 2021, the Group entered into a related party loan agreement with CW Ahlefeldt-Laurvig (a Group Non-Executive director and shareholder). Under this agreement, Europa Oil & Gas drew funds of £225,000 on 20 January 2021 for a term of four months (with the option of early repayment). The loan was unsecured and interest accrued on a daily basis at an effective interest rate of 12.57% per annum. The loan and accrued interest was fully repaid in March 2021.

28. Post reporting date events

- The Serenity appraisal well did not find oil bearing sands and as such the well was plugged and abandoned for a forecast gross well cost of £10.4 million resulting in an estimated total cost to Europa of £4.8 million. The remaining £2 million held in the escrow fund will be released to Europa and will no longer be restricted
- On 2 November 2022 the Company's application to the Department of the Environment, Climate and Communications ("DECC") for an extension to the first phase of its 100%-owned FEL 4/19 licence was granted and as such the licence is now live until 31 January 2024
- On 8 September 2022 the Company entered into a loan agreement with Union Jack Oil plc ("UJO"). The key features of the loan were: £1 million loan amount, 18-month term, interest rate of 11% per annum, repayable at any point during the term without penalty and secured against 10% interest in the Wressle field (PEDL180, and PEDL182). The loan was to provide additional liquidity during the drilling of the Serenity appraisal well. The loan was repaid in full on 18 October 2022

For further information, please visit
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