EGDON

EGDON

Egdon Resources plc

Annual Report and Accounts 2010

EXPLORE
DEVELOP
PRODUCE

Egdon Resources plc – Vision and Strategy

Egdon Resources plc

An oil and gas exploration and production company focused on onshore UK and mainland Europe

A growing business with 34 licences in proven oil and gas producing basins in the UK and France

A balanced portfolio of production, development, appraisal and exploration projects positioning the Group for future growth

A proven operator with an experienced and respected management team

A strong focus on safety, environmental and social responsibility in all aspects of operations

Egdon's Strategy

The aim of the Group is to create shareholder value by building a profitable and material full cycle exploration, production and energy business with a focus on onshore European operations

The Group will look to increase shareholder value by:

– Increasing near term revenues through investment in production, development and appraisal projects

– A renewed focus on high impact exploration opportunities

– Broadening and strengthening the asset and opportunity base of the Group through licence applications, targeted acquisitions and innovative deal making

– Proactively managing the portfolio to maximise returns and manage risk

– Looking to extract shareholder value from emerging non-conventional hydrocarbon plays

– Identifying and exploiting new technologies and opportunities

Highlights

Operational Highlights

- Production during the period up 15% to 27,056 barrels of oil from Keddington, Avington and Kirklington (2009: 23,474 barrels)
- Drilled and completed the Dukes Wood-1, Kirklington-3z and Keddington-3z wells
- Consents and commercial agreements finalised and construction began for Kirkleatham gas field development with first gas expected before end of 2010
- Acquired 10% interest in Ceres gas field which had first production in April 2010
- Portfolio of 34 licences in UK and France as at 31 July 2010

Financial Highlights

- Profit for the year of £0.24 million (31 July 2009: loss of £0.08 million) Includes profit on disposal of £0.39 million (31 July 2009: £0.22 million)
- Revenues during the period up 42% to £1.25 million (31 July 2009: £0.88 million)
- Earnings per share of 0.29p (2009: loss per share of 0.12p)
- Equity as at 31 July 2010 of £16.03 million (31 July 2009: £8.92 million)
- Net current assets as at 31 July 2010 of £1.49 million (31 July 2009: £1.50 million)
- Completion of £2 million share placing on 7 April 2010 at a price of 12.5p per share

Corporate Highlights

- Completion of sale of East Midland licence interests (15% in PEDL005 (Remainder), 25% in PEDL118 and 25% in PEDL203 and PEDL206) to Terrain Energy Limited for a consideration of £687,500
- Farm-out of 10% interests in East Midlands licences PEDL118 and PEDL203 to subsidiaries of Angus Energy Limited in return for Angus paying 20% of well costs on these licences
- Completion of acquisition of UK assets from EnCore Oil plc for a consideration of 39,200,000 Egdon ordinary shares
- Agreement on acquisition of EnCore (E&P) Limited for consideration of £100,000 in cash on completion expected in November 2010
- Completion of farm-out of PEDL139 and PEDL140 to achieve a carry through the drilling of a shale-gas test well completed in August 2010 after year end
- Sale of Egdon Resources (New Ventures) Limited to eCORP for cash consideration of £4.5 million completed in October 2010 after year end

Oil revenues for period

£1.25m

(31 July 2009: £0.88m)

Profit for period

£0.24m

(2009: Loss of £0.08m)

Total licence holdings (31 July 2010)

34

(2009: 24)

Chairman's statement

I am pleased on behalf of the Board to be able to report good progress in the year ended 31 July 2010. This has been achieved as a result of a combination of drilling and corporate activity involving both acquisition and disposal. Production in the year grew by 15% over the previous year and is set to grow significantly in the coming year as a number of our fields come on stream. Our current cash position is strong, mainly as a result of the receipt in October 2010 of £4.5 million from the disposal of two of our French exploration licences. In a change to our existing strategy we are therefore looking to finance a more aggressive exploration programme in the coming period, targeting the higher potential prospects within our portfolio.

Financial
Revenue for the year ended 31 July 2010 was £1,252,000 (2009: £880,000) and profit after tax was £235,000 (2009: loss of £83,000), which includes a profit of £389,000 from the sale of a number of licence interests. Net current assets as at 31 July 2010 were £1.49 million (2009: £1.50 million) and Equity as at 31 July 2010 was £16.03 million (2009: £8.92 million). In line with last year the Directors do not currently recommend the payment of a dividend.

Corporate activity
We have had an active year on the corporate front.

In December 2009, we sold a proportion of our interests in four licences in the East Midlands to Terrain Energy for £687,500. In the same month we also farmed out further interests in two of these licences. We have retained a majority interest in all these licences, all of which are operated by us.

On 28 July 2010 we finally completed the acquisition of a package of UK assets from EnCore Oil plc ("EnCore"), having gained shareholder approval in April 2010. The assets acquired are a good strategic fit with our own portfolio and importantly include a 10% interest in the Ceres gas field located in the Southern North Sea which, when production recommences, will produce around 200 barrels of oil equivalent per day ("boepd") net to Egdon. The consideration for this acquisition was satisfied by the issue of 39.2 million new ordinary shares of Egdon giving EnCore a holding in our shares of just under 30%.

Since the year end, we have completed the sale of some of our French interests for £4.5 million in cash to eCORP Oil and Gas UK Limited ("eCORP"). The interests involved are early-stage exploration projects and the sale of them significantly enhances our balance sheet. Importantly we have the opportunity of participating in any drilling success which eCORP may have with these licences by way of back-in options.

Production
In spite of disruptions caused by the severe winter weather and various unavoidable production shutdowns due to drilling and development operations, we achieved a 42% increase in revenue with total oil production in the year up 15% to 27,056 barrels, mainly from Keddington and Avington.

The drilling and completion of a new horizontal well at Keddington has proved to be a great success with production from June through August 2010 averaging nearly 200 barrels of oil per day ("bopd") (gross). Significant gas flow has also occurred and plans are being developed to use this gas to generate electricity for export to the grid during 2011, thus providing a further income stream. Considering we originally purchased Keddington for only £250,000 it has proved to be a highly profitable asset and plans are under consideration to drill a further well to increase production as a priority early in 2011.

Avington has continued to produce in line with expectations during the period averaging around 70 bopd (gross). We plan to restore the Avington-2z horizontal well to production prior to the end of 2010, which should result in increased overall production.

Construction operations are well advanced to connect our first operated gas field at Kirkleatham to the Wilton petrochemical plant with production start up expected to be achieved by the end of 2010. Production of over 300 boepd net to Egdon is expected.

As already mentioned, we acquired during the year a 10% interest in the Ceres gas field from EnCore. The field initially came on stream in April and we derived our proportion of the income at that time. Unfortunately, the field has largely been shut-in since May owing to issues with the BP operated infrastructure down-stream of the field. This has been very frustrating for us, but we are confident that production will recommence by the end of 2010 on completion of the maintenance work and our share of the production should amount to 200 boepd.

With Kirkleatham and Ceres on production we hope to exceed our long held oil and gas production target of 500 boepd net to Egdon by around the end of 2010.

Exploration
Our best estimate of our prospective resources as at 31 July 2010 in UK and France is over 295 million barrels of oil equivalent. This represents significant upside potential for a company of Egdon's size and we have an active exploration and appraisal drilling programme planned for the coming year. In the UK, wells are planned in Hampshire, Dorset, Surrey and Lincolnshire. Further details of our drilling plans are set out in the Operational review which follows this statement.

In France, which remains a key focus for Egdon, we plan to acquire seismic information on our very large Audignon gas prospect and in our Pontenx Permit with a view to drilling on both in 2012. Alongside the UK assets acquired from EnCore, we are also in the process of acquiring interests in the Eastern Paris Basin and the South East Basin and drilling is planned during 2011 in the Paris Basin.

Outlook

Our fundamental strategy is to build a strong revenue stream from the production of oil and gas in order to finance the drilling of exploration, appraisal and production wells and thereby enhance the value of our assets. We feel that we have achieved much in the year under review and production should exceed the equivalent of 500 barrels per day once Kirkleatham and Ceres are on production around the turn of the year. Our cash position is strong and forecast cash flow is positive. Our shareholders have been patient in the light of the delays which have occurred in our production forecasts and we thank them for their forbearance.

Keddington has been a success and we have the opportunity in 2011 to maximise the potential of this site through further drilling. We are looking to participate in at least four wells in the period to July 2011.

We also aim to continue to build further shareholder value by strengthening the breadth and quality of our asset holdings through ongoing technical screening and acquisition of new licences, either directly via licence applications or through targeted acquisitions.

We are pleased to welcome Alan Booth to our Board as a Non-Executive Director. Alan is Chief Executive of EnCore Oil plc and is a highly experienced and respected member of the UK oil and gas industry and we look forward to his valuable input to the development of our business.

On behalf of the Board I would like to thank our hard working and dedicated staff for their endeavour during the year and with their help we expect to be able to report continued progress in the coming year.

Philip Stephens

Chairman
2 November 2010

Asset summary

"As at 31 July 2010 the Group held interests in 34 licences in two operating segments the UK and France, located within proven oil and gas producing areas, and containing a balance of oil and gas prospectivity."

Licence holdings as at 31 July 2010

UK

Licence No.	Operator	Egdon interest	Area km²
UK			
PL090	Egdon Resources U.K. Limited	45.000%	202.00
PEDL005 (Remainder)	Egdon Resources U.K. Limited	75.000%	23.57
PEDL068	Egdon Resources U.K. Limited	40.000%	195.00
PEDL069	Aurora Exploration (UK) Limited	66.670%	60.50
PEDL070	Star Energy Group Limited	36.670%	100.00
PEDL071	Egdon Resources U.K. Limited	25.000%	250.00
PEDL098	Northern Petroleum Plc	7.500%	20.90
PEDL118	Egdon Resources U.K. Limited	65.000%	10.40
PEDL125	Northern Petroleum Plc	10.000%	197.10
PEDL126	Northern Petroleum Plc	10.000%	256.20
PEDL130	Egdon Resources U.K. Limited	100.000%	94.60
PEDL138	Star Energy Group Limited	50.000%	45.00
PEDL139***	Greenpark Energy Limited	13.500%	100.00
PEDL140***	Greenpark Energy Limited	13.500%	130.00
PEDL141	Egdon Resources U.K. Limited	46.000%	100.00

Licence No.	Operator	Egdon interest	Area km²
UK			
PEDL142	Egdon Resources U.K. Limited	50.000%	42.00
PEDL143	Europa Oil and Gas plc	38.400%	80.00
PEDL144	Egdon Resources U.K. Limited	96.000%	100.00
PEDL154	Magellan Petroleum	10.00%	343.40
PEDL155	Northern Petroleum Plc	10.000%	52.80
PEDL182	Egdon Resources U.K. Limited	50.000%	40.00
PEDL201	Egdon Resources U.K. Limited	50.000%	100.00
PEDL203	Egdon Resources U.K. Limited	65.000%	10.54
PEDL206	Egdon Resources U.K. Limited	75.000%	100.00
PEDL237	Egdon Resources U.K. Limited	45.000%	108.53
PEDL240	Northern Petroleum Plc	7.500%	7.20
PEDL241	Egdon Resources U.K. Limited	50.000%	110.00
PEDL253	Egdon Resources U.K. Limited	60.000%	189.30
PEDL256	Northern Petroleum Plc	7.500%	52.80
P.1241 block 47/9c	Centrica Energy	10.000%	85.50

FRANCE

Licence No.	Operator	Egdon interest	Area km²
St Laurent	Egdon Resources France Limited	33.423%	615.00
Pontenx	Egdon Resources France Limited	40.000%	313.00
Gex*	Egdon Resources (New Ventures) Ltd.	40.000%	932.00
Navacelles*	Egdon Resources New Ventures) Ltd.	60.000%	216.00

* Sale of Egdon Resources (New Ventures) Ltd to eCORP completed on 5 October 2010

** Transfer subject to approval of French Ministry

Licence No.	Operator	Egdon interest	Area km²
Pending Award/Transfer			
Donzacq	Egdon Resources France Limited	33.423%	218.00
Nimes**	EnCore (E&P) Ltd.	100.000%	507.00
Mairy**	Toreador Resources	50.000%	444.00
Gex-Sud*	Egdon Resources (New Ventures) Ltd.	40.000%	1991.00

*** On 4 August a series of farm-in agreements reduced Egdon's interest in the Coal Bed Methane potential of these blocks to 10%

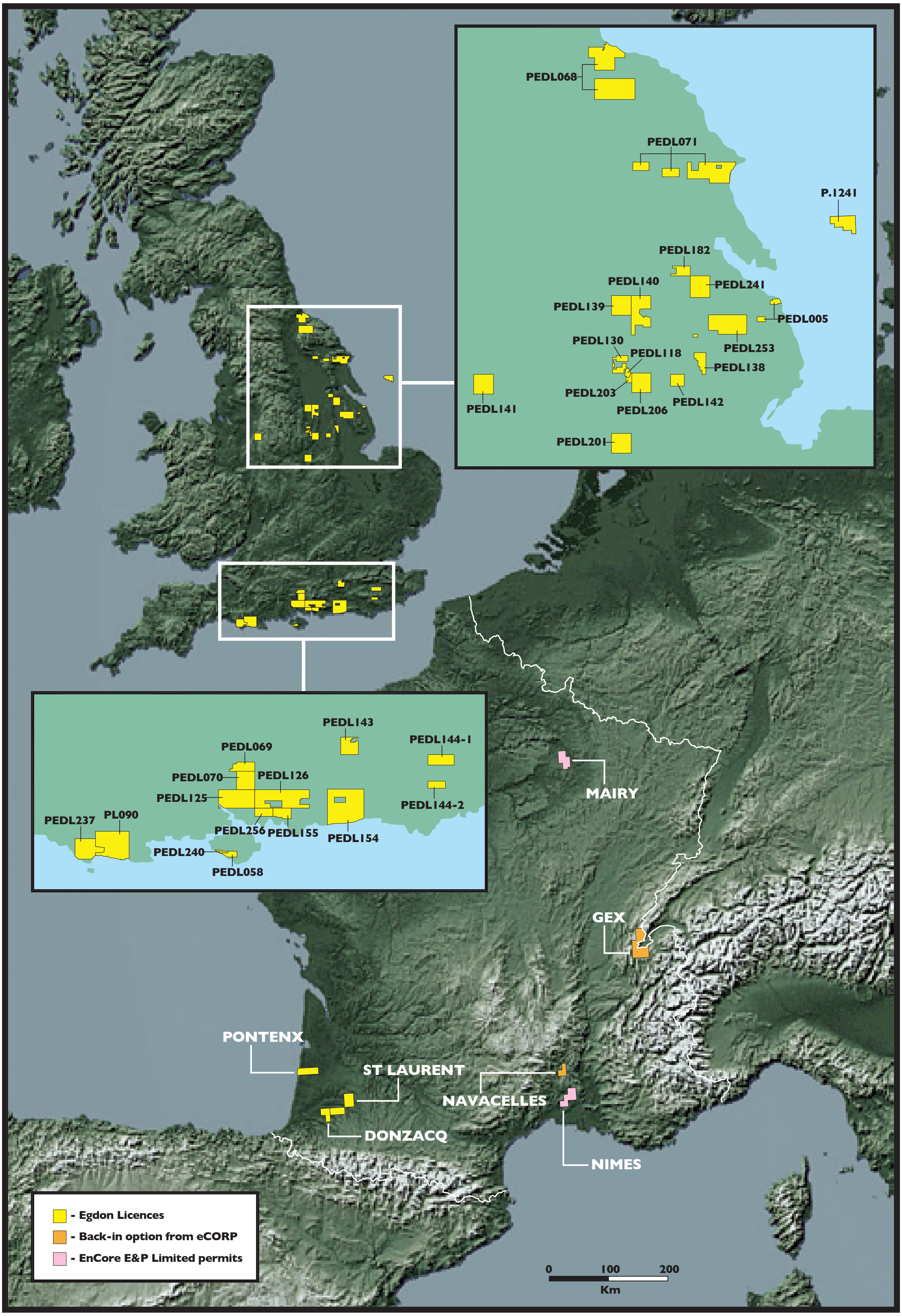
Oil and Gas reserves and resources

Class of reserve/resource	Proven	**Proven + Probable**	Proven + Probable+ Possible	Units	Field/Prospect Name
Net Oil Reserves	0.62	**1.01**	1.60	MMstb	Keddington, Avington, Waddock Cross
	Low Estimate	**Best Estimate**	High Estimate		
Net Oil Contingent Resources	1.07	**3.08**	5.76	MMstb	Grenade, Brougton, Eakring/Dukes-Wood/Kirklington
Net Oil Prospective Resources	53.69	**118.47**	211.78	MMstb	Other Blocks
Total Oil	55.37	**122.56**	219.44	MMstb	

Class of reserve/resource	Proven	**Proven + Probable**	Proven + Probable+ Possible	Units	Field/Prospect Name
Net Gas Reserves	3.30	**6.71**	11.06	MMstb	Kirkleatham, Ceres, Keddington
	Low Estimate	**Best Estimate**	High Estimate		
Net Gas Contingent Resources	3.19	**7.02**	12.28	Bscf	Nooks Farm, Keddington Namurian
Net Gas Prospective Resources	314.62	**1,018.14**	2,225.10	Bscf	Audignon, North Somercotes, etc.
Total Gas	321.12	**1,031.87**	2,248.45	Bscf	

Total boe	**108.89**	**294.54**	**593.89**	Mmboe	

Note:
Based on Company evaluations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PEDL125
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PEDL237
PL090
PEDL256
PEDL155
PEDL154
PEDL240
PEDL058
MAIRY
GEX
PONTENX
ST LAURENT
NAVACELLES
DONZACQ
NIMES
- Egdon Licences
- Back-in option from eCORP
- EnCore E&P Limited permits
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Operational review

The Egdon Group ("Egdon", "the Group" or "the Company") has a focus on onshore operations in Europe, currently having two geographical operating segments; the UK and France. In a change to our previous strategy we now plan to target more of the Company's resources on exploration and we will look to focus on a fewer number of higher-potential projects – those with the biggest potential impact on shareholder value.

UK

At the end of the period Egdon held interests in 29 licences UK onshore and one licence offshore in the Southern North Sea. During the year the acquisition of assets from EnCore added nine additional licences to our UK portfolio. A further onshore UK licence round is expected early in 2011 and Egdon intends to participate in the round in a focused manner.

Producing assets

Keddington (PEDL005(Remainder) – 75% operated interest)

The Keddington oil field in Lincolnshire produces oil and associated gas from two sandstone intervals of Carboniferous age at a depth of around 2,200 metres. The Keddington-3 and subsequent 3z sidetracks, which were drilled during April 2010, encountered a combined total of 235 metres of sandstones in the productive Unit 1 and Unit 2 reservoir intervals. The well was placed on production on 7 June 2010 and has been free-flowing oil and significant quantities of gas since this time. Production to end August 2010 averaged 193 bopd and 0.7 million cubic feet of gas per day ("mmcfg/d"). Total Production net to Egdon during the period was 15,146 barrels of oil.

We are developing plans for on-site electricity generation with a view to adding an additional revenue stream during 2011. A revised field model is being developed to update recoverable oil and gas reserves and define sustainable flow rates to enable the sizing of generation and export infrastructure. It is anticipated that a further horizontal sidetrack will be drilled early in 2011 utilising the Keddington-1z well as a donor well. The currently estimated proven and probable reserves of 0.30 million barrels of oil ("mmbo") are expected to be upgraded on completion of the current work.

The potential utilisation of the gas discovered in the underlying Namurian sandstones and the early drilling of the contiguous Louth Prospect (1.25 mmbo Net Egdon best estimate prospective resources) will be considered to maximise the value of the greater Keddington area.

Avington (PEDL070 – 36.67% non-operated interest)

The Avington oil field in Hampshire produces oil from the Great Oolite limestone reservoir of Middle Jurassic age. Permanent production facilities were installed at Avington during September and October 2009 and the field has produced a total of 9,069 barrels (net Egdon) from the Avington-3z well during the period. The Avington-2z horizontal well is expected to be returned to production prior to year end which should result in increased production. A decision on drilling the Avington northern fault block is to be made in 2011. Net Egdon proven and probable reserves are estimated at 0.12 mmbo.

Kirkleatham (PEDL068 – 40% operated interest)

The Kirkleatham gas field, near Redcar, is a stratigraphically trapped gas accumulation in a Permian age limestone reservoir, discovered in 2006 by the Kirkleatham-4 exploration well. Gas was discovered at a depth of around 800 metres and tested at rates of up to 5 mmcfg/d. Significant progress has been made during the year with all planning, commercial and regulatory approvals now in place. Construction operations are well advanced and it is expected to begin production at rates of 5 to 6 mmcfg/d (830 to 1,000 boepd) by the end of 2010. Net Egdon best estimate contingent resources are estimated at 2.03 billion cubic feet of gas ("bcf"). Further drilling will be considered in 2011 if the production data indicates the presence of more extensive gas reserves. The option exists to convert the Kirkleatham field into a gas storage facility once the gas reserves are depleted.

Ceres (P.1241 – 10% non-operated interest)

The Ceres gas field in Southern North Sea block 47/93 initially came on stream in April 2010, with horizontal well 47/9c-11X producing at the predicted rates of around 20 million cubic feet of gas per day from the Lower Permian Leman Sandstone reservoir interval. However, recurring infrastructure issues resulted in limited production during the period and as reported the field is currently shut-in awaiting

The BDF28 rig during sidetrack operations at the Keddington Site April 2010.

Pipe laying operations at the Kirkleatham gas field, Redcar.

completion of extended maintenance and repairs to the Cleeton Platform by the operator BP. It is currently anticipated that these works will be completed and production will recommence around year end with expected production of around 1.2 mmcfg/d (200 boepd) net to Egdon. Net Egdon proven and probable gas reserves are estimated at 3.7 bcf.

Eakring-Dukes Wood-Kirklington (PEDL's 118, 203 – 65% operated interest)

The Kirklington oil field, located in Nottinghamshire, has two Carboniferous age oil bearing units at around 650 metres depth. Production from the Chatsworth Grit recommenced on 28 July 2009. The Kirklington-3 sidetrack was drilled in February 2010 but encountered the reservoir below the oil water contact and was abandoned. The subsequent Kirklington-3z sidetrack encountered a thinned Chatsworth Grit interval and was completed for production. Total production during the period was 1,878 barrels net to Egdon.

The Eakring-Dukes Wood abandoned oil field, located in Nottinghamshire, was discovered in 1939 and produced from a number of shallow sandstone reservoirs of Carboniferous age from 1940 until 1966. Egdon have identified potential to rejuvenate the field. The Dukes Wood-1 appraisal well was drilled in January 2010 and tested over a six month period from three separate zones producing a total of 963 barrels of oil net to Egdon. The Ashover Grit Unit 5 ("AG5") had the best results with potential to produce at rates of around 20 bopd along with significant water production.

Egdon are considering the dual completion of the Dukes Wood-1 well for oil production from the AG5 and water disposal into the Sub Alton Crawshaw interval. It is planned to operate the well as part of a combined Eakring-Dukes Wood-Kirklington production unit to maximise value.

Appraisal

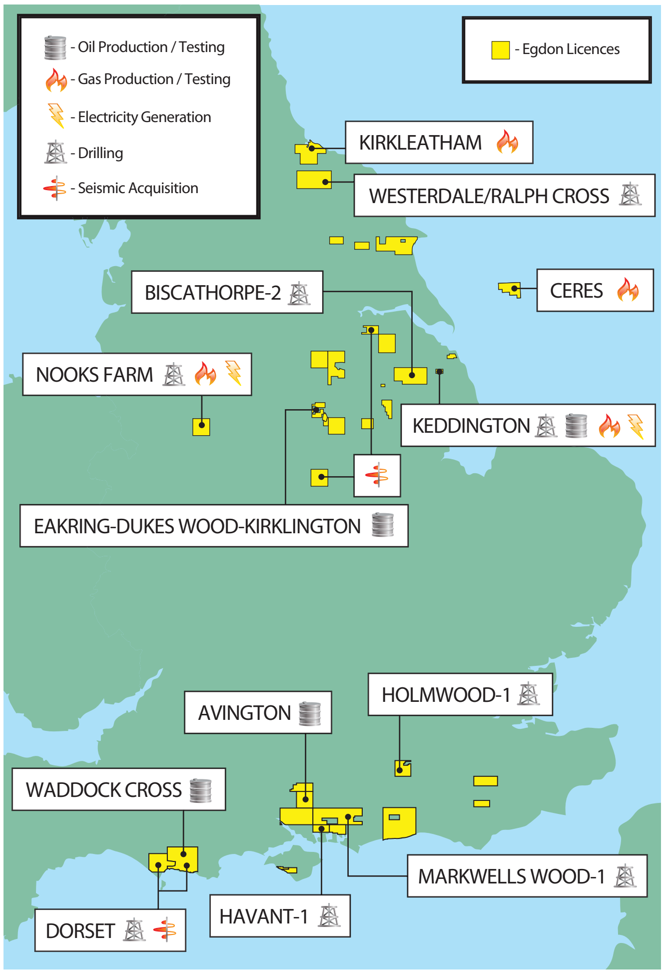
Egdon has a number of appraisal and development projects within its UK portfolio capable of adding further production and revenues. Whilst progressing all assets the key focus for the coming year will be on the following projects.

Westerdale/Ralph Cross (PEDL068 – 40% operated interest)

The Westerdale/Ralph Cross gas accumulation, in North Yorkshire, has been tested by two wells Ralph Cross-1 (1996) and Westerdale-1 (2006), which demonstrated the presence of gas in a fractured Permian limestone reservoir. Egdon's recently completed evaluation of the structure has defined a significant potential gas volume which is capable of being commercially developed via off-site electricity generation. A planning application will be developed for a further appraisal well on the structure over the coming year. Net Egdon best estimate prospective resources are 6.2 bcf.

Markwells Wood (PEDL125 – 10% non-operated interest)

The Markwells Wood-1 appraisal well in Hampshire, will target a possible eastern extension of the Horndean oil field which produces from the Middle Jurassic Great Oolite reservoir. The operator, Northern Petroleum (GB) Limited, has now advised that drilling operations are expected to commence prior to the end of 2010. Net Egdon best estimate prospective resources are estimated at 0.32 mmbo.



Planned 2010-11 UK activity.

Waddock Cross (PL090 – 45% operated interest)
The Waddock Cross oil field, located in Dorset, has two wells which are completed for production from the Jurassic Bridport Sandstone formation at a depth of 660 metres. Testing operations at the Waddock Cross oil field, in Dorset, were deferred during 2010 and are now planned to commence in the first quarter of 2011. A successful outcome of the testing could lead to full field development in 2012. Net Egdon most-likely reserves are 0.6 mmbo.

Exploration
Egdon has a significant portfolio of exploration prospects in the UK and will progress evaluation of all of these. However, the following three UK exploration projects have been high-graded for the coming year due to their potential impact.

Holmwood (PEDL143 – 38.4% non-operated)
A well is planned for 2011, conditional upon planning approval, on the Holmwood Prospect, located in Surrey, which has net Egdon best estimate prospective resources of 16.6 bcf and is located between known gas and oil accumulations. The licence has been extended to October 2012 in light of delays in the planning process.

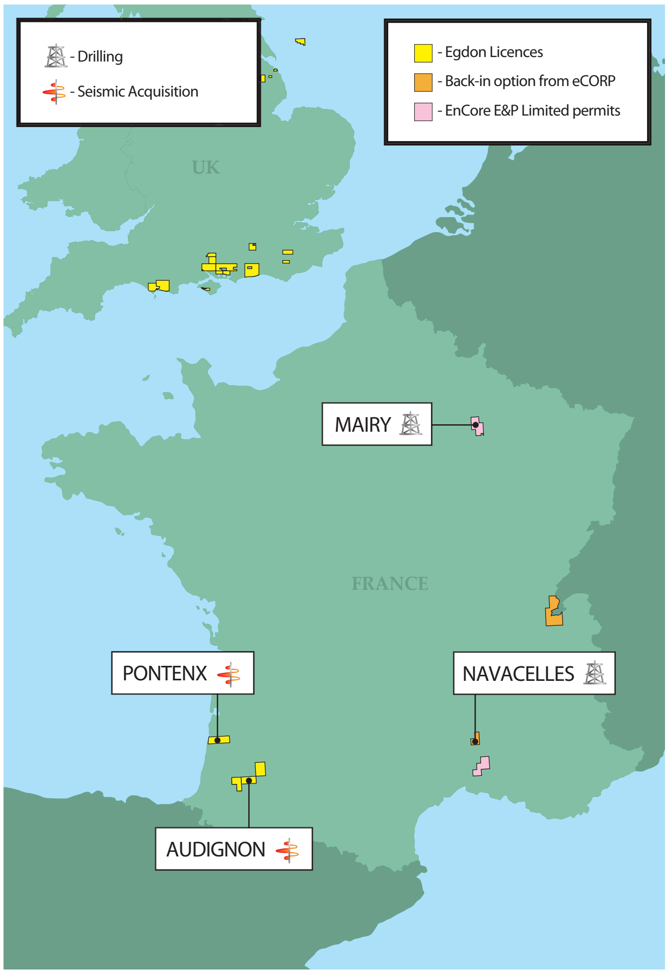
Sherwood Sandstone Oil Play (PL090 & PEDL237 – 45% operated interest)
Significant exploration potential has been identified in the Sherwood Sandstone play within Egdon's Dorset licences. A planning application is ready for submission for the Winfrith Prospect which has net Egdon best estimate prospective resource potential of 1.64 mmbo and would de-risk larger prospects to the west with mapped net Egdon best estimate prospective resource potential of 31.5 mmbo. We will make a decision on further 3D seismic acquisition over the Winfrith prospect during 2011 prior to submission of a planning application for a Sherwood Sandstone exploration well.

Biscathorpe (PEDL253 – 60% operated interest)
Oil was discovered but not tested in a thin Carboniferous sand in a 1987 well on the Biscathorpe Prospect, in Lincolnshire. It is expected that the sands will thicken off the crest of the structure as observed elsewhere in the basin. This large prospect is defined by 3D seismic data and could contain net Egdon high estimate prospective resources of up to 25 mmbo if the sands are stratigraphically trapped. A suitable drilling site is currently being sought and a planning application should be submitted early in 2011.

Drilling is also expected during the coming year on the Havant Prospect (PEDL256 – Egdon 7.5% non-operated interest) and at Nooks Farm (PEDL141 – 46% farmed-out interest). We also intend to acquire seismic data in a number of our East Midlands licences to further define prospects prior to decisions on drilling.

FRANCE
France remains a key focus for Egdon and the past year has seen significant developments with the Company's French assets. At the end of the period Egdon held interests in four French permits. Completion of the sale of the Company's interests in Gex and Navacelles to eCORP occurred during October. We are currently awaiting government approval for the acquisition of EnCore (E&P) Ltd. which holds interests in two further licences (Mairy and Nimes) and also for the award of the Donzacq Permit.

Activity in France during the coming period will concentrate on evaluating the high potential Audignon Prospect and developing drillable prospects in the Pontenx Permit through the acquisition of new seismic data.



Planned 2010–11 activity in France.

Audignon Prospect (St Laurent – 33.423% operated)
The St. Laurent Permit has been granted an extension to August 2013. St Laurent contains the high impact Audignon Prospect (Net Egdon best estimate prospective resources of 896 bcf of gas), on which seismic acquisition is planned for 2011 with a view to drilling in 2012. A farm-in partner will continue to be sought for the drilling phase for this "company making" size prospect.

We also anticipate award of the adjacent Donzacq Permit later in 2010 which contains a possible western extension of Audignon and also the adjacent Bastennes-Gaujaq Prospect.

Further work will also be undertaken during the coming year on the Grenade and Mimizan Nord heavy oil fields to determine our future strategy for these assets.

Completion of the acquisition of EnCore (E&P) Limited is expected shortly and will add the Mairy Permit in the Eastern Paris Basin and the Nimes Permit in the South East Basin to our assets. A well is planned in 2011 in the Mairy Permit.

Non-conventional resources

There has been growing interest in non-conventional oil and gas resources, particularly shale-gas and oil-shale. Egdon has looked to add value in this area by leveraging its extensive onshore acreage position. In the UK we have concluded a farm-out of two East Midlands licences (PEDL139 & 140) to achieve a 13.5% carried interest through the drilling and testing of a deep shale-gas exploration well in the Gainsborough Trough where trillions of cubic feet of gas resources may be present.

In France, the sale to eCORP was largely driven by the non-conventional potential of the Gex and Navacelles permits and in addition to the cash payment Egdon retains access to up-side through back-in options. Egdon holds a 9% back-in option on the Navacelles Permit where eCORP are hoping to drill the first well by the end of 2011. The Mairy Permit has also been identified by the Toreador/Hess group as having oil-shale potential similar to the highly productive Bakken Shale of the US Williston Basin. This may be evaluated through drilling during 2011.

We will continue to review our strategy for non-conventional resources and look for the best way to maximise shareholder value from these developing plays which could include farm-outs, sales or spin-off these assets.

2010/11 work programme

We will continue to progress the evaluation of all our projects during the coming year although financial and manpower resources will be focused on those assets that best fit our strategic objectives. Egdon is entering a more active operational period and we expect to commence drilling at Markwells Wood-1 during the current quarter with further drilling in 2011 anticipated at some or all of Keddington-4, Havant-1, Holmwood-1, Westerdale/Ralph Cross, Biscathorpe-1, Winfrith-1 and Nooks Farm with final timing dependent upon planning and rig availability. In France drilling in the Mairy Permit is expected during 2011 as is a well on the Navacelles Permit where we have a 9% back-in option.

The increased level of drilling activity combined with the expected growth in UK production means that the coming year could be transformational for Egdon.

Mark Abbott

Managing Director
2 November 2010

Board of Directors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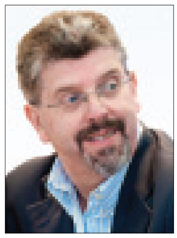
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1. **Philip Stephens** MA (Oxon.) (Non-Executive Chairman), aged 68, is a corporate financier with 38 years of City experience. He is currently Chairman of Forsight 4 VCT plc and Neptune-Calculus Income and Growth VCT plc. He was Joint Head of the Corporate Finance Department of stockbrokers Williams de Broe for four years until his retirement in 2002 and before that was Head of UK Corporate Finance at UBS from 1995, having joined in 1989.

2. **Mark Abbott** (Managing Director), aged 49, is an experienced geophysicist and founding Director of Egdon Resources plc. He graduated from the University of Nottingham in 1985 with a degree in Exploration Sciences (Geology/Geophysics/Mining Engineering). He worked for the British Geological Survey from 1985 to 1992 in the UK and overseas. Between 1992 and 1996 he worked in the International Division of British Gas Exploration and Production Limited and was employed by Anadarko Algeria Corporation from 1996 to 1997. He is also a Non-Executive Director of Infrastrata plc, MA Exploration Services Limited, Bishopswood Pavilion Limited and a Trustee of the UK Onshore Geophysical Library.

3. **Walter Roberts** (Non-Executive Director and Company Secretary), aged 59, is an oil and gas lawyer with an engineering background. He qualified as a solicitor with Simmons & Simmons before joining Phillips Petroleum in 1980. In 1986 he set up the legal department for Lasmo in Australia and later became the principal UK joint venture negotiator for Talisman. Walter is currently the Commercial Director of Infrastrata plc, an Executive Director of Pinnacle Energy Limited.

4. **Andrew Hindle** (Non-Executive Director), aged 48, is an experienced geologist and founding Director of Egdon Resources plc. He holds a BSc degree in Geological Sciences (1983) from Leeds University and an MSc degree in Petroleum Geology (1985) from Aberdeen University. In 1998 he completed a PhD (part-time) through the Open University for research into petroleum migration. He worked for Texaco from 1985 until 1996 on UK and international exploration and development projects. Subsequently he worked for Anadarko Algeria Corporation from 1996 to 1997. Andrew is Chief Executive Officer of Infrastrata plc, and is also a Director of Geofocus Limited and Toffee Limited.

5. **Ken Ratcliff** JP, BSc FCA, (Non-Executive Director), aged 60, is a chartered accountant with extensive finance and business experience. He is currently the College Accountant at Epsom College and is the co-founder and Accountant at Geokinetics Processing UK Limited. Ken is Non-Executive Chairman of Infrastrata plc and has previously held senior management positions with GDC UK Limited, Ensign Geophysics Limited, Seismic Geocode Limited, Tenneco Corporation and Merlin Geophysical Limited.

6. **John Rix** FCA, (Non-Executive Director), aged 76, following five years abroad with Shell International, John worked in the City as an Investment Analyst specialising in the oil industry, holding positions in N.M. Rothschild, de Zoete & Bevan and Greig Middleton. Since retiring in 1994, he has continued to be actively involved with investment, mainly related to the oil industry. John is Chairman and Managing Director of both Dorset Exploration Limited and Yorkshire Exploration Limited.

7. **Alan Booth** (Non-Executive Director), aged 52, is a highly experienced geoscientist. He holds a BSc degree in Geology from Nottingham University, and a MSc degree in Petroleum Geology from the Royal School of Mines, Imperial College London. Alan is founder and Chief Executive Officer of EnCore Oil plc having previously held senior management positions in EnCana, Amerada Hess and Oryx Energy. Alan has previously served as President of the United Kingdom Offshore Operators Association, as a Director of Oil and Gas UK and was a member of PILOT. He is a past-president of the Petroleum Exploration Society of Great Britain. Alan is currently a director of the Oil & Gas Independents Association ("OGIA").

Corporate governance statement

The Egdon Resources plc Board is committed to running its business with integrity and high ethical standards across all of the Group's activities. The Directors recognise the value of the UK Corporate Governance Code and whilst under the AIM rules compliance is not required, the Directors believe that the Company applies the recommendations in so far as is practicable and appropriate for a public company of its size.

This statement explains how the Directors applied the principles of the code during the year ended 31 July 2010.

The Board

The Board comprises of one Executive Director and six Non-Executive Directors five of whom served throughout the year.

The background and experience of the Directors are relevant to the Group activities and are summarised on page 10 of this report. As such, the Directors are of the opinion that the Board comprises a suitable balance and that the recommendations of the Governance Code have been implemented to an appropriate level.

The Board meets regularly throughout the year and met eight times in the year to 31 July 2010. All meetings were attended by all Directors, except three from which one Director was absent. In addition there were two meetings to approve administrative resolutions which were only partly attended although all the Directors had approved the business. There were also two meetings of a committee of the Board, consisting of two Directors, to deal with matters arising from the EnCore transaction and the corporate requirements associated with it.

The Board is responsible for formulating, reviewing and approving the Group's strategy, financial activities and operating performance. Day-to-day management of the Company is devolved to the Executive Director who is charged with consulting the Board on all significant financial and operational matters. Consequently, decisions are made promptly and following consultation amongst the Directors concerned where necessary and appropriate.

A statement of the Directors' responsibilities in respect of the Financial Statements is set out on page 16.

The Company has established Audit and Remuneration Committees which are discussed further below.

Audit Committee

An Audit Committee has been established and comprises Ken Ratcliff (Chairman), Philip Stephens and John Rix. The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported on and monitored. This includes reviewing significant financial reporting issues and accounting policies and disclosures in financial reports. The Audit Committee reviews the scope and results of the external audit and monitors the integrity of the financial statements of the Company. If required, meetings are attended by appropriate members of the senior management. The external auditors have unrestricted access to the Chairman of the Committee. The Audit Committee is also responsible for reviewing the requirement for an internal audit function.

The Audit Committee plans to meet at least twice a year. The committee met three times in the year to 31 July 2010 with all members present.

Remuneration Committee

A Remuneration Committee has been established and its current members comprise Walter Roberts (Chairman), Philip Stephens and Ken Ratcliff. The principal objective of the Remuneration Committee is to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

The Company's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee agrees with the Board a framework for the remuneration of the Chairman, the Executive Director and the senior management of the Company. Non-executive fees are considered and agreed by the Board as a whole.

The Remuneration Committee plans to meet at least twice in each year. It did not meet in the year to 31 July 2010, although it had met on 31 July 2009 and on 6 August 2010 at both of which meetings all members were present. The members discussed at various times during the year whether to hold a formal meeting and decided that the then circumstances did not warrant doing so.

Nomination Committee
The Company has not established a Nomination Committee as the Directors are of the opinion that such a Committee is inappropriate given the current size of the Group.

Relations with shareholders
Communication with shareholders is given a high priority and the Chairman and Managing Director have regular dialogue with institutional investors, as well as making general presentations to analysts at the time of the annual and interim results.

The Group maintains a website (www.egdon-resources.com) for the purpose of providing information to shareholders and potential investors. The website contains all news, releases, reports and accounts and public presentations. In addition further detailed information about the Group's activities is available on the website.

Enquiries from individual shareholders in relation to their shareholding and the business as a whole are welcomed and the website has an enquiry facility and contact details to assist in facilitating this. Shareholders are encouraged to attend the Annual General Meeting at which they are able to put questions to the Chairman and other board members.

Internal controls
The Board is responsible for establishing and maintaining the effectiveness of the Group's internal controls and risk management systems. They are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. The controls which cover financial and operational matters are reviewed on an ongoing basis. It is recognised that a system of internal controls cannot provide absolute assurance that material financial irregularities will be detected or that a risk of failure to achieve business objectives is eliminated. The Board keeps under review the necessity for establishing an internal audit function but considers that, given the size of the Group and the close involvement of senior management in day-to-day operations, there is currently no requirement for such a function.

Risk
The Directors are responsible for the effectiveness of the Group's risk management activities and internal control process. The Group is exposed to a range of technical, geological, operational, political, environmental, health and safety and financial risks in the conduct of its operations. The Group seeks to manage and mitigate these risks through maintaining a spread of exploration and production interests, through compliance with the terms of its licences, through adopting policies appropriate to the Group's size and by the use of skilled personnel.

The table opposite sets out the principal risk factors that may affect the Group's business, their potential impact and mitigation strategies developed. Risks are grouped into four main categories: strategic; financial; operational; and external. Such risk factors are not intended to be presented in any assumed order of priority. Any of the risks and uncertainties could have a material adverse impact on the business. The risks as set out are not exhaustive and additional risks and uncertainties, not presently identified or considered material by the Company, may arise or become material in the future. In particular, the Company's performance might be affected by changes in market and/or economic conditions and in legal, regulatory and tax requirements.

Risk category	Mitigation
Strategic risk Ineffective or poorly executed strategy fails to create shareholder value.	
Ineffective mix of oil and gas interests	Interests in two countries and several sedimentary basins.
Organic and acquisition led-growth	Regular review of capital investment programmes. Board approval required for exploration programmes, acquisitions and divestments.
Ineffective or inadequate management processes	Policies and procedures appropriate for an exploration and production company of Egdon's scale and size.
Loss of key staff/succession planning	Remuneration policies to attract and retain staff.
Financial risk Failure to meet financial obligations to stakeholders.	
Industry cost inflation	Rigorous contracting procedures with competitive tendering.
Oil and gas price volatility	Use range of commodity prices in forecasting. Look to hedging as production volumes and number of fields increase.
Inadequate or excessive hedging	Limited opportunity for hedging with current producing assets. Review hedging policy as production volumes and number of fields increase.
Uninsured events	Comprehensive insurance policies.
Underperforming assets	Range of production forecasting in budget process. Increase number and breadth of producing assets.
Cost overrun	Main capital expenditure is in drilling operations. Look to farm-out projects where significant risk of cost over-run exists to limit exposure.
Mis-priced corporate acquisitions	Board approval required for acquisitions. Conservative valuation of assets.
Operational risk Operational event impacts staff, contractors, communities or the environment leading to loss of reputation and revenue.	
HSE incident	HSE standards set and monitored across the Group.
Development failure	Technical, Financial and Board approval of development projects with regular reporting of field performance.
Sustained exploration failure	Robust technical review of all projects. Board approval of exploration budgets and regular reporting of exploration results.
Corruption or reputation failure	High level of ethical standards apply to all Group activity.
Loss of key staff	Remuneration policies to attract and retain staff.
Failure to secure equipment, services and resources	Rigorous contracting and procurement procedures applied to all operations. Long term planning of required resources. Maintain intelligence on availability of equipment, services and materials in areas of operation.
Corporate and social responsibility	Maintain good community relationships.
External risk Failure to manage and grow the business caused by external political, industry or market factors.	
Political risk and fiscal change	Develop sustainable relationships with government ministries and collaborate with industry bodies to communicate interests to government authorities.
Oil and gas price volatility	Use range of commodity prices in forecasting. Look to hedging as production volumes and number of fields increase.
Lack of control of key assets	Proactive formal and informal communications with joint venture partners.
Corporate governance failings	Review of compliance requirements and ongoing consultation with legal and financial advisors and Audit Committee.
Shareholder sentiment	Maintain good communications with shareholders. Present timely and transparent information. Maintain website. Effectively convey and execute corporate strategy.
Hostile acquisition	Robust defence strategies against hostile acquisition. Effective and continuous communication with shareholders.

Directors' report

The Directors submit their report together with the audited consolidated financial statements of Egdon Resources plc for the year ended 31 July 2010.

Business review

The principal activity of the Group during the year continued to be exploration and production of hydrocarbons in the UK and France.

The Company is required by the Companies Act to set out in this report a fair review of the business of the Group during the financial year ended 31 July 2010 and of the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group including consideration of future developments ("business review"). The information that fulfils the requirements of the business review can be found within the Chairman's statement, Managing Director's Operational review and Corporate governance statement on pages 2 to 9, and 11 to 13.

Health, safety and environmental

As an oil and gas exploration and production business, the Company is conscious of its health, safety and environmental responsibilities. The Company is committed to high standards of health, safety and environmental protection and performance and these aspects command equal prominence with other business considerations in the decision-making process.

There were no reportable Health and Safety incidents during the period.

Results and dividends

The Group recorded a consolidated profit from continuing operations during the year of £235,417 (2009: loss of £83,523). The profit for the year is after charging exploration write-downs and pre-licence costs of £64,786 (2009: £151,620).

The Directors do not recommend the payment of a dividend (2009: £nil).

Share capital

At the date of this report 130,675,774 ordinary shares are issued and fully paid. Details of movements in share capital during the year are given in note 27 to the financial statements.

Directors

The Directors of the Company at the date of this report, and their biographical summaries are given on page 10. Six Directors served throughout the year; Alan Booth was appointed on 28 July 2010.

The Directors' remuneration is detailed in note 8 to the financial statements. All Directors benefit from the provision of Directors' and officers' indemnity insurance policies. Premiums payable to third parties are described in note 8.

The Directors of the Company at the date of this report held the following interests in the Company.

	%	Shares
Mark A W Abbott	5.44	7,104,806
Andrew D Hindle	5.10	6,659,232
Ken Ratcliff	0.04	53,000
John Rix	0.99	1,293,949
Walter Roberts	0.91	1,191,750
Philip Stephens	0.08	100,000
Alan Booth	0.00	0

Charitable and political donations

During the year the Group made various charitable contributions in the UK totalling £900 (2009: £100). No donations were made for political purposes (2009: £nil).

Creditor payment policy

The Group's policy for all suppliers is to fix terms of payment when entering into a business transaction, ensure that the supplier is aware of those terms and to abide by the agreed terms of payment. The number of day's trade creditors was 80 (2009: 47) for the Group.

Financial instruments
The financial risk management objectives and policies of the Company in relation to the use of financial instruments and the exposure of the Company and its subsidiary undertakings to its main risks, credit risk and liquidity risk, are set out in note 25 to the financial statements.

Employees
The Group had 11 employees as at 31 July 2010 (2009: 11). Employees are encouraged to directly participate in the business through a share option scheme. Details of the share option scheme are given in note 9 to the financial statements.

Post balance sheet events
Details of post balance sheet events are shown in note 35 to the financial statements.

Auditors
A resolution to reappoint the auditors, Nexia Smith & Williamson, will be proposed at the forthcoming Annual General Meeting.

Going concern
After making enquiries the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to the auditors
In the case of each person who was a Director at the time this report was approved: so far as the Director was aware there was no relevant available audit information of which the Company's auditors were unaware and that Director had taken all steps that the Director ought to have taken as a Director to make himself aware of any relevant information and to establish that the Company's auditors were aware of that information.

By order of the Board

Mark A W Abbott
Managing Director

2 November 2010

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' 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 prepared the Group, and elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Company and the Group 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 estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Egdon Resources plc

We have audited the financial statements of Egdon Resources plc for the year ended 31 July 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows , the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

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. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 July 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Sancho Simmonds
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

1 Bishops Wharf
Walnut Tree Close
Guildford GU1 4RA

2 November 2010

Consolidated statement of comprehensive income

For the year ended 31 July 2010

	Notes	2010 £	2009 £
Continuing operations			
Revenue	3	**1,251,676**	880,127
Cost of sales – exploration costs written off and pre-licence costs	4	**(64,786)**	(151,620)
Cost of sales – other		**(819,133)**	(678,895)
Total cost of sales		**(883,919)**	(830,515)
Gross profit		**367,757**	49,612
Other administrative expenses	4	**(668,347)**	(480,927)
Negative goodwill arising on acquisition of subsidiary		**–**	62,828
Total administrative expenses		**(668,347)**	(418,099)
Other operating income		**174,797**	54,236
Exceptional item – profit on disposal of property, plant and equipment	5	**388,881**	221,300
		263,088	(92,951)
Finance income	11	**1,156**	30,226
Finance costs	12	**(28,714)**	(20,798)
Profit/(loss) before taxation		**235,530**	(83,523)
Taxation	13	**(113)**	–
Profit/(loss) for the period		**235,417**	(83,523)
Other comprehensive income for the period		**–**	–
Total comprehensive income for the period attributable to equity holders of the parent		**235,417**	(83,523)
Basic and diluted earnings per share	14	**0.29p**	(0.12)p

Consolidated statement of financial position

As at 31 July 2010

	Notes	2010 £	2009 £
Non-current assets			
Intangible assets	16	**7,032,533**	5,697,408
Property, plant and equipment	17	**8,422,363**	2,480,488
Total non-current assets		**15,454,896**	8,177,896
Current assets			
Inventory	19	**–**	12,127
Trade and other receivables	20	**1,038,896**	437,502
Available for sale financial assets	21	**50,000**	50,000
Cash and cash equivalents	23	**2,029,835**	1,307,143
		3,118,731	1,806,772
Assets held for sale	22	**21,600**	–
Total current assets		**3,140,331**	1,806,772
Current liabilities			
Trade and other payables	24	**(1,639,667)**	(311,078)
Liabilities directly associated with assets classified as held for sale	22	**(8,645)**	–
		(1,648,312)	(311,078)
Net current assets		**1,492,019**	1,495,694
Total assets less current liabilities		**16,946,915**	9,673,590
Non-current liabilities			
Provisions	26	**(915,910)**	(750,333)
Net assets		**16,031,005**	8,923,257
Equity			
Share capital	27	**13,067,577**	7,547,577
Share premium	28	**1,362,500**	65,000
Share based payment reserve		**84,907**	30,076
Retained earnings		**1,516,021**	1,280,604
		16,031,005	8,923,257

These financial statements were approved by the Board of Directors and authorised for issue on 2 November 2010.

They were signed on its behalf by:

M A W Abbott
Director

Company registration number 06409716

Company statement of financial position
As at 31 July 2010

	Notes	2010 £	2009 £
Non-current assets			
Property, plant and equipment	17	**6,655**	2,192
Investments	18	**14,999,606**	9,964,782
Total non-current assets		**15,006,261**	9,966,974
Current assets			
Trade and other receivables	20	**1,191,295**	110,670
Cash and cash equivalents	23	**36,952**	2,108
Total current assets		**1,228,247**	112,778
Current assets/(liabilities)			
Trade and other payables	24	**(80,911)**	(522,677)
Net current assets/(liabilities)		**1,147,336**	(409,899)
Total assets less current liabilities		**16,153,597**	9,557,075
Non-current liabilities			
Provisions	26	**(90,695)**	(94,307)
Net assets		**16,062,902**	9,462,768
Equity			
Share capital	27	**13,067,577**	7,547,577
Share premium	28	**1,362,500**	65,000
Merger reserve	29	**2,357,816**	2,357,816
Share based payment reserve		**84,907**	30,076
Retained earnings – deficit	15	**(809,898)**	(537,701)
		16,062,902	9,462,768

These financial statements were approved by the Board of Directors and authorised for issue on 2 November 2010.

They were signed on its behalf by:

M A W Abbott
Director

Company registration number 06409716

Consolidated statement of cash flows

For the year ended 31 July 2010

	2010 £	2009 £
Cash flows from operating activities		
Profit/(loss) before tax	**235,530**	(83,523)
Adjustments for:		
Depreciation and impairment of fixed assets	**265,346**	339,499
Deduct negative goodwill	**–**	(62,828)
Profit on disposal of property, plant and equipment	**(388,881)**	(221,300)
Increase in trade and other receivables	**(399,622)**	(44,443)
Decrease/(increase) in inventory	**12,127**	(12,127)
Increase/(decrease) in trade payables and other payables	**358,177**	(20,261)
Movement in provisions	**(3,612)**	(6,342)
Gross profit on oil well testing	**32,767**	8,153
Finance costs	**27,905**	20,798
Finance income	**(1,156)**	(30,226)
Share based remuneration charge	**54,831**	30,076
Taxation paid	**(113)**	–
Net cash flow generated from/(used in) operating activities	**193,299**	(82,524)
Investing activities		
Acquisition of subsidiary (net of cash acquired)	**–**	(22,311)
Finance income	**1,156**	30,226
Payments for exploration and evaluation assets	**(1,132,998)**	(823,505)
Purchase of property, plant and equipment	**(898,055)**	(223,439)
Sale of property, plant and equipment	**502,950**	261,638
Sale of intangible fixed assets	**146,635**	–
Net cash used in capital expenditure and financial investment	**(1,380,312)**	(777,391)
Financing activities		
Issue of shares	**2,000,000**	–
Costs associated with issue of shares	**(82,500)**	–
Net cash flow from financing	**1,917,500**	–
Net increase/(decrease) in cash and cash equivalents	**730,487**	(859,915)
Cash and cash equivalents as at 31 July 2009	**1,307,143**	2,167,058
Cash and cash equivalents as at 31 July 2010	**2,037,630**	1,307,143

Significant non-cash transactions comprised the issue of equity share capital as consideration for the acquisition of tangible and intangible fixed assets from EnCore Oil plc (note 27), and for decommissioning and reinstatement provisions (note 26).

Company statement of cash flows
For the year ended 31 July 2010

	2010 £	2009 £
Cash flows from operating activities		
Loss before tax	**(272,197)**	(334,598)
Adjustments for:		
Depreciation and impairment of plant and equipment	**3,322**	566
(Increase)/decrease in trade and other receivables	**(135,449)**	8,708
Decrease/(increase) in trade payables	**(441,766)**	343,124
Share based remuneration charge	**54,831**	30,076
Movement in provision	**(3,612)**	(6,342)
Finance income	**–**	(258)
Net cash (used in)/generated from operating activities	**(794,871)**	41,276
Investing activities		
Purchase of fixed asset investments	**–**	(39,990)
Finance income	**–**	258
Loan to subsidiaries	**(1,080,000)**	–
Purchase of property, plant and equipment	**(7,785)**	(2,167)
Net cash used in capital expenditure and financial investment	**(1,087,785)**	(41,899)
Financing activities		
Issue of shares	**2,000,000**	–
Costs associated with issue of shares	**(82,500)**	–
Net cash flow from financing	**1,917,500**	–
Net increase/(decrease) in cash and cash equivalents	**34,844**	(623)
Cash and cash equivalents as at 31 July 2009	**2,108**	2,731
Cash and cash equivalents as at 31 July 2010	**36,952**	2,108

Significant non-cash transactions comprised the issue of equity share capital as consideration for the acquisition of tangible and intangible fixed assets from EnCore Oil plc (note 27).

Consolidated statement of changes in equity
For the year ended 31 July 2010

	Share capital £	Share premium £	Share based payment reserve £	Retained earnings £	Total equity £
Balance at 1 August 2008	6,861,434	65,000	–	1,364,127	8,290,561
Loss for the period	–	–	–	(83,523)	(83,523)
Total comprehensive income for the period	–	–	–	(83,523)	(83,523)
Issue of ordinary shares	686,143	–	–	–	686,143
Share option charge	–	–	30,076	–	30,076
Balance at 31 July 2009	7,547,577	65,000	30,076	1,280,604	8,923,257
Profit for the period	**–**	**–**	**–**	**235,417**	**235,417**
Total comprehensive income for the period	**–**	**–**	**–**	**235,417**	**235,417**
Issue of ordinary shares (April 2010)	**1,600,000**	**317,500**	**–**	**–**	**1,917,500**
Issue of ordinary shares (July 2010)	**3,920,000**	**980,000**	**–**	**–**	**4,900,000**
Share option charge	**–**	**–**	**54,831**	**–**	**54,831**
Balance at 31 July 2010	**13,067,577**	**1,362,500**	**84,907**	**1,516,021**	**16,031,005**

Company statement of changes in equity
For the year ended 31 July 2010

	Share capital £	Merger reserve £	Share premium £	Share based payment reserve £	Retained earnings £	Total equity £
Balance at 1 August 2008 as restated	6,861,434	2,357,816	65,000	–	(203,103)	9,081,147
Loss for the period	–	–	–	–	(334,598)	(334,598)
Total comprehensive income for the period	–	–	–	–	(334,598)	(334,598)
Issue of equity share capital	686,143	–	–	–	–	686,143
Share option charge	–	–	–	30,076	–	30,076
Balance at 31 July 2009	7,547,577	2,357,816	65,000	30,076	(537,701)	9,462,768
Loss for the period	**–**	**–**	**–**	**–**	**(272,197)**	**(272,197)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(272,197)**	**(272,197)**
Issue of ordinary shares (April 2010)	**1,600,000**	**–**	**317,500**	**–**	**–**	**1,917,500**
Issue of ordinary shares (July 2010)	**3,920,000**	**–**	**980,000**	**–**	**–**	**4,900,000**
Share option charge	**–**	**–**	**–**	**54,831**	**–**	**54,831**
Balance at 31 July 2010	**13,067,577**	**2,357,816**	**1,362,500**	**84,907**	**(809,898)**	**16,062,902**

1. General information

Egdon Resources plc is a company incorporated and domiciled in England & Wales with registered number 06409716. The address of the registered office is The Wheat House, 98 High Street, Odiham, Hampshire RG29 1LP. The Company's administrative office is at the same address.

Egdon Resources plc (the "Company") and its subsidiaries (together, the "Group") explore for and develop oil and gas reserves in England and France.

The Company's shares are quoted on the Alternative Investment Market ("AIM") of the London Stock Exchange.

2. Accounting policies

The financial statements are based on the following accounting policies of Group and Company.

Basis of preparation and statement of compliance with IFRS

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. IFRS comprises the Standards issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that have been endorsed by the European Union (EU). The principal accounting policies adopted by the Group and by the Company where applicable are set out below.

As permitted by Section 408 of the Companies Act 2006, no income statement or associated notes are presented for the Company as an entity.

Going concern

The Directors have reviewed the budget, projected cash flows, considered committed expenditure and based on this review are confident that the Group will have adequate financial resources to continue in existence for the foreseeable future. Consequently the Directors consider it appropriate to prepare the financial statements on the going concern basis.

The Group will only be able to continue its planned exploration and development programme if it has sufficient financial resources to do so. The Directors recognise that should circumstances change then some planned exploration and development work will need to be deferred or delayed until such time as additional funding is obtained either through revenues from production, asset disposals (sales or farm-outs), the negotiation of a debt facility and/or the issue of shares.

Adoption of new and revised standards

In the current financial year, the Group has adopted International Financial Reporting Standard 8 "Operating Segments", and International Accounting Standard 1 "Presentation of Financial Statements" (revised 2007).

IFRS 8 (revised) requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the geographical segments previously identified at 31 July 2009 under IAS 14 "Segmental Reporting".

IAS 1 (revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only transactions with owners, with non-owner changes in equity presented in a single line. In addition, the standard introduces the statement of comprehensive income; it presents all items of recognised income and expense, either in one single statement, or in two linked statements. In addition IAS 1 (revised) includes changes in the titles of the primary financial statements to reflect their function more clearly. The balance sheet is renamed a "statement of financial position".

At the date of authorisation of these financial statements, the following relevant standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 1 First time adoption of IFRS
IFRS 2 Share based payments (revised 2009)
IFRS 9 Financial Instruments: Recognition and measurement (revised 2009)
IAS 24 Related party disclosures (revised 2009)
IAS 32 Financial Instruments: Presentation (revised 2009)
IFRIC 14 Prepayments of minimum funding requirements
IFRIC 19 Extinguishing financial liabilities with equity instruments

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Basis of consolidation

The Group financial statements incorporate the financial statements of Egdon Resources plc (the "Company") and entities controlled by the Company prepared to 31 July each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The financial statements of subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated in preparing the consolidated financial statements.

2. Accounting policies (continued)

Business combinations and goodwill

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

Revenue and other operating income

Revenue represents amounts receivable for oil sales, net of VAT and trade discounts, and is recognised on delivery to a storage facility.

Income charged to other companies net of VAT, in respect of fees for acting as operator is disclosed within other operating income and is recognised on an accruals basis when the services are provided.

Jointly controlled operations and assets

The Group's exploration and development activities are generally conducted as co-licensees in joint operation with other companies. The financial statements reflect the relevant proportions of capital expenditure and operating revenues and costs applicable to the Group's interest.

Exploration and evaluation assets

The Group accounts for oil and gas expenditure under the full cost method of accounting.

Costs (other than payments to acquire the legal right to explore) incurred prior to acquiring the rights to explore are charged directly to the income statement. All costs incurred after the rights to explore an area have been obtained, such as geological, geophysical, data costs and other direct costs of exploration and appraisal are accumulated and capitalised as exploration and evaluation ("E&E") assets.

E&E costs are not amortised prior to the conclusion of appraisal activities. At completion of appraisal activities if technical feasibility is demonstrated and commercial reserves are discovered, then following development sanction, the carrying value of the relevant E&E asset will be reclassified as a development and production asset, but only after the carrying value of the E&E asset has been assessed for impairment, and where appropriate, its carrying value adjusted.

If after completion of appraisal activities in an area, it is not possible to determine technical feasibility or commercial viability, then the costs of such unsuccessful exploration and evaluation are written off to the income statement as a component of cost of sales in the period the relevant events occur. The costs associated with any wells which are abandoned are fully amortised when the abandonment decision is taken.

When oil is sold from a test well, the carrying value of E&E assets is reduced by the gross profit generated from the oil sales.

Intangible assets

Costs of purchased data used to assist with formulating strategy for licence applications and asset purchases are accumulated and capitalised as other intangibles.

Impairment

E&E assets are reviewed annually for impairment and these are grouped with the development and production assets belonging to the same exploration area to form the Cash Generating Unit ("CGU") for impairment testing. The equivalent combined carrying value of the CGU is compared against the CGU's recoverable amount and any resulting impairment is written off to the income statement. The recoverable amount of the CGU is determined as the higher of its fair value less costs to sell and its value in use. E&E assets which are relinquished are written down immediately in the accounting period of the relinquishment date.

Other intangibles are subject to an annual impairment test and elements that have no ongoing commercial value are written off to the consolidated income statement.

Development and production assets

Development and production ("D&P") assets are accumulated into cost centres and represent the cost of developing the commercial reserves and bringing them into production together with the E&E expenditures previously transferred from E&E assets as outlined in the policy above.

Costs relating to each cost centre are depleted on a unit of production method based on the commercial proven and probable reserves for that cost centre. Development assets are not depreciated until production commences. The amortisation calculation takes account of the residual value of site equipment and the estimated future costs of development of recognised proven and probable reserves, based on current price levels. Changes in reserve quantities and cost estimates are recognised prospectively.

Impairment of development and production assets

A review is performed for any indication that the value of the D&P assets may be impaired. For D&P assets when there are such indications, an impairment test is carried out on the CGU. If necessary, additional depletion is charged through the income statement if the capitalised costs of the CGU exceed the associated estimated future discounted cash flows of the related commercial oil and gas reserves.

2. Accounting policies (continued)

Property, plant and equipment – other than D&P assets

Property, plant and equipment other than D&P assets are stated in the balance sheet at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual values of each asset over its expected useful life, as follows:

Fixtures and fittings	25% straight line
Computer equipment	33% straight line

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be estimated with reasonable certainty. If the effect of the time value of money is material, provisions are discounted using a pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning and reinstatement provisions

Licensees have an obligation to restore fields to a condition acceptable to the relevant authorities at the end of their commercial lives. Provision for decommissioning and reinstatement is recognised in full as a liability and an asset when the obligation arises. The asset is included within exploration and evaluation assets or property, plant and equipment as is appropriate. The liability is included within provisions. The amount recognised is the estimated cost of decommissioning and reinstatement, discounted where appropriate to its net present value, and is reassessed each year in accordance with local conditions and requirements. Revisions to the estimated costs of decommissioning and reinstatement which alter the level of the provisions required are also reflected in adjustments to the decommissioning and reinstatement asset. The increase in the net present value of the future cost arising from the unwinding of the discount is included within finance costs.

Foreign currencies

Transactions denominated in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Sterling at the rate of exchange ruling at the end of the financial year. All exchange differences are dealt with in the income statement.

Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is calculated annually based on the ratio of closing stock to total annual production and the cost of production (including depreciation) for the year.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Company and short term bank deposits with an original maturity of three months or less.

The cash and cash equivalent amount in the Statements of cash flow includes overdraft where relevant.

Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when a sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Disposal groups are groups of assets, and liabilities directly associated with those assets, that are to be disposed of together as a group in a single transaction. Non-current assets (and disposal groups) classified as held for sale are initially measured at the lower of carrying value and fair value less costs to sell.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due.
The provision amount is recognised in the income statement.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Equity issued for non-monetary consideration is recorded at the fair value of the equity instruments issued.

Interest bearing bank loans, overdrafts and other loans are recorded at fair value, net of direct issue costs, when the proceeds are received and subsequently at amortised cost. Finance costs are accounted for on an accruals basis in the income statement using the effective interest method.

2. Accounting policies (continued)

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit and loss, held to maturity investments or loans and receivables. After initial recognition available for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using appropriate valuation techniques.

Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

Share based payment transactions

Employees (including senior executives) of the Group receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transactions).

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Retirement benefit costs

The Group has a defined contribution plan which requires contributions to be made into an administered fund. The amount charged to the income statement in respect of pension costs reflects the contributions payable in respect of the year. Differences between contributions payable during the year and contributions actually paid are shown as either accrued liabilities or prepaid assets in the balance sheet.

Exceptional items

Exceptional items are defined as material items which derive from events or transactions that fall within the Group's ordinary activities but which, due to their size or incidence, are disclosed separately in order to present fairly the reported results.

2. Accounting policies (continued)

Use of judgements and estimates when preparing the annual financial statements

Preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions affecting recognition and measurement in the consolidated statement of financial position and statement of comprehensive income, as well as the disclosure of contingent assets and liabilities. Future events may lead to these estimates being changed. In particular, estimates are required when:

- Assessing the need for and measurement of impairment of oil and gas assets (tangible and intangible)
- Capitalisation of project costs
- Assessment of contingent consideration on acquisition
- Determining the fair value of share based payments
- Estimating decommissioning and reinstatement liabilities (note 26)
- Determining going concern

Oil and gas assets

Management is required to assess the oil and gas assets for indicators of impairment. Note 17 discloses the carrying value of tangible oil and gas assets. As part of this assessment, management has carried out an impairment test on the tangible assets. This test compares the carrying value of the assets at the balance sheet date with the expected discounted cash flow from the project. For the discounted cash flows to be calculated, management has used a production profile based on its best estimate of proven and probable reserves of the asset and a range of assumptions, including oil/gas prices and a discount rate.

Intangible assets

The Group determines whether intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the asset and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Capitalisation of project costs

The assessment of whether costs incurred on project exploration and evaluation should be capitalised or expensed involves judgement. Management considers the nature of the costs incurred and the stage of project development and concludes whether it is appropriate to capitalise the costs.

Contingent consideration on acquisition

The acquisition of YCI Resources Limited, now renamed Egdon Resources Avington Limited, included a Net Profit Interest agreement. The assessment of the provision required in respect of this contingent consideration is dependent on assumptions relating to levels of production, drilling of additional wells and future oil price.

Share based payments

Determining the fair value of share based payments requires assumptions in respect of the inputs used in the option pricing model. Details can be found in note 9.

Decommissioning and reinstatement

The Group determines decommissioning and reinstatement liabilities by making assumptions, based on the current economic environment, which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to assumptions. However, the actual decommissioning and reinstatement cost will ultimately depend upon future market prices for the necessary works required which will reflect market conditions at the relevant time. Furthermore, actual costs will also reflect the extent of decommissioning and reinstatement work required to be performed, whether the works can be performed as part of a multi well programme or in isolation and progress in the relevant technologies.

Going concern

The preparation of the financial statements requires an assessment of the validity of the going concern assumption, this being dependent on the availability of adequate financial resources to allow the Group to continue in operational existence for the foreseeable future. The Directors have reviewed budgets, projected cash flows and other financial options, and based on this review are confident that the Group will have adequate resources to continue in operational existence for the foreseeable future. Consequently the Directors consider it appropriate to prepare the financial statements on the going concern basis. Should the going concern basis not be appropriate, adjustments would have to be made to the assets and liabilities in the Group balance sheet.

3. Segmental information

For management purposes, the Group currently operates in two geographical markets: UK and Europe. Unallocated operating expenses, assets and liabilities relate to the general management, financing and administration of the Group.

The following tables present the gain/(loss) and certain asset and liability information regarding the Group's operating segments for the year ended 31 July 2010 and for the year ended 31 July 2009.

Revenue of the Group for the period has been derived from the sale of oil which has been extracted from wells in the UK during production and production testing operations. Oil is a commodity product and can be sold to a number of customers on industry-standard terms. For reasons of operational convenience, 93% (2009: 100%) of oil sales in the year were made to one organisation.

2010

	UK £	Europe £	Unallocated £	Total £
Revenue	**1,251,676**	**–**	**–**	**1,251,676**
Cost of sales – exploration costs written off and pre-licence costs	**(37,145)**	**(27,641)**	**–**	**(64,786)**
Cost of sales – depreciation	**(256,882)**	**–**	**–**	**(256,882)**
Cost of sales – other	**(561,790)**	**(461)**	**–**	**(562,251)**
Total cost of sales	**(855,817)**	**(28,102)**	**–**	**(883,919)**
Gross profit	**395,859**	**(28,102)**	**–**	**367,757**
Other administrative expenses	**(377,497)**	**(19,339)**	**(263,047)**	**(659,883)**
Depreciation	**–**	**–**	**(8,464)**	**(8,464)**
Total administrative expenses	**(377,497)**	**(19,339)**	**(271,511)**	**(668,347)**
Other operating income	**168,622**	**6,706**	**(531)**	**174,797**
Exceptional item – profit on disposal of property, plant and equipment	**388,881**	**–**	**–**	**388,881**
	575,865	**(40,735)**	**(272,042)**	**263,088**
Finance income	**1,156**	**–**	**–**	**1,156**
Finance costs	**(25,698)**	**(3,016)**	**–**	**(28,714)**
Profit/(loss) before taxation	**551,323**	**(43,751)**	**(272,042)**	**235,530**
Taxation	**(113)**	**–**	**–**	**(113)**
Profit/(loss) for the period	**551,210**	**(43,751)**	**(272,042)**	**235,417**
Other segment information				
Non-current assets	**14,273,473**	**1,174,768**	**6,655**	**15,454,896**
Current assets	**3,033,408**	**35,130**	**71,793**	**3,140,331**
Current liabilities	**(1,551,145)**	**(16,257)**	**(80,910)**	**(1,648,312)**
Non-current liabilities	**(760,065)**	**(65,150)**	**(90,695)**	**(915,910)**
Net assets	**14,995,671**	**1,128,491**	**(93,157)**	**16,031,005**
Capital expenditure				
Intangible exploration and evaluation assets	**1,097,216**	**35,782**	**–**	**1,132,998**
Property, plant and equipment				
– oil and gas assets	**890,270**	**–**	**–**	**890,270**
– other	**–**	**–**	**7,785**	**7,785**
	1,987,486	**35,782**	**7,785**	**2,031,053**

3. Segmental information (continued)
2009

	UK £	Europe £	Unallocated £	Total £
Revenue	880,127	–	–	880,127
Cost of sales – exploration costs written off and pre-licence costs	(116,190)	(35,430)	–	(151,620)
Cost of sales – depreciation	(233,472)	–	–	(233,472)
Cost of sales – other	(445,628)	205	–	(445,423)
Total cost of sales	(795,290)	(35,225)	–	(830,515)
Gross profit	84,837	(35,225)	–	49,612
Other administrative expenses	(131,637)	(14,995)	(325,898)	(472,530)
Depreciation	–	–	(8,397)	(8,397)
Negative goodwill arising on acquisition of subsidiary	62,828	–	–	62,828
Total administrative expenses	(68,809)	(14,995)	(334,295)	(418,099)
Other operating income	42,538	11,698	–	54,236
Exceptional item – profit on disposal of property, plant and equipment	221,300	–	–	221,300
	279,866	(38,522)	(334,295)	(92,951)
Finance income	29,079	889	258	30,226
Finance costs	(20,798)	–	–	(20,798)
Profit/(loss) before taxation	288,147	(37,633)	(334,037)	(83,523)
Taxation	–	–	–	–
Profit/(loss) for the period	288,147	(37,633)	(334,037)	(83,523)
Other segment information				
Non-current assets	7,024,728	1,150,976	2,192	8,177,896
Current assets	1,693,191	21,398	92,183	1,806,772
Current liabilities	(280,382)	(10,965)	(19,731)	(311,078)
Non-current liabilities	(595,707)	(60,319)	(94,307)	(750,333)
Net assets	7,841,830	1,101,090	(19,663)	8,923,257
Capital expenditure				
Intangible exploration and evaluation assets	787,733	35,772	–	823,505
Property, plant and equipment				
– oil and gas assets	221,272	–	–	221,272
– other	–	–	2,167	2,167
	1,009,005	35,772	2,167	1,046,944

4. Other expenditure

	2010 £	2009 £
Auditor's remuneration (see note 6 below)	**48,400**	51,150
Depreciation and other amounts written off tangible assets	**265,346**	241,869
Exploration and pre-licence costs written off	**64,786**	151,620
Foreign exchange differences	**(31,613)**	(105,648)
Operating lease rentals – land and buildings	**17,500**	15,000

5. Exceptional item – profit on disposal of fixed assets
During the year the Group sold a 15% interest in PEDL005(Remainder) containing the Keddington oil field to Terrain Energy Limited for a cash consideration of £236,500 and deferred cash consideration of £50,000 payable on the commencement of the K-3 sidetrack well. At the date of sale, 15% of the net book value of this asset amounted to £82,838, giving rise to a profit of £203,663. In the same deal the Group sold a 25% interest in PEDL203 containing the Kirklington oil field for a cash consideration of £66,865 and deferred cash consideration of £87,500 payable on commencement of the Kirklington sidetrack well. At the date of sale, 25% of the net book value of this asset amounted to £21,174, giving rise to a profit of £133,191.

5. Exceptional item – profit on disposal of fixed assets (continued)

During the year the Group also sold a further 10% interest in PEDL203 containing the Kirklington oil field to Angus Energy Kirklington Development Limited by way of a farm-out for contingent consideration of £59,585. This was based on 10% of the drilling costs for the sidetrack at Kirklington 2 well. At the date of sale, 10% of the net book value of the asset amounted to £10,058, giving rise to a profit of £49,527.

6. Auditor's remuneration

	2010 £	2009 £
Audit services:		
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	**9,000**	14,000
Other services:		
The auditing of financial statements of subsidiaries of the Company pursuant to legislation	**27,000**	20,000
Other services relating to taxation	**–**	8,400
All other services	**12,400**	8,750
Total audit and other services	**48,400**	51,150

7. Employee information

	2010 Number	2009 Number
The average number of persons employed by the Group in the year, including Executive and Non-Executive Directors, was:		
Management and administration	**11**	11

	2010 £	2009 £
Employee costs during the year amounted to:		
Wages and salaries	**394,418**	386,670
Social security costs	**44,990**	42,298
Share based remuneration charges	**54,831**	30,076
Pension costs	**10,838**	9,549
	505,077	468,593

8. Remuneration of Directors and key management

The Board considers that the Group and Company's key management comprises the Directors of the Company.

Group and Company	2010 £	2009 £
Directors' emoluments	**235,507**	236,358
Employers national insurance contributions	**23,283**	28,800
Short term employment benefits	**258,790**	265,158
Post employment benefits	**6,000**	6,000
Share based remuneration charge attributable to Directors	**12,434**	11,426
	277,224	282,584

The emoluments and compensation of individual Directors were as follows:

	Salary and fees £	Bonus £	Medical £	Insurance benefits £	Pension £	Total 2010 £	Total 2009 £
M A W Abbott	**120,000**	**–**	**2,184**	**2,138**	**6,000**	**130,322**	129,959
A D Hindle	**15,000**	**–**	**–**	**1,237**	**–**	**16,237**	17,147
P H P Stephens	**37,500**	**–**	**–**	**1,237**	**–**	**38,737**	38,813
K M Ratcliff	**22,500**	**–**	**–**	**1,237**	**–**	**23,737**	23,813
J G R Rix	**15,000**	**–**	**–**	**1,237**	**–**	**16,237**	16,313
W R Roberts	**15,000**	**–**	**–**	**1,237**	**–**	**16,237**	16,313
	225,000	**–**	**2,184**	**8,323**	**6,000**	**241,507**	242,358

The emoluments of the highest paid Director excluding pension contributions were £124,322 (2009: £123,959).

8. Remuneration of Directors and key management (continued)

Life policy and critical illness premiums of £1,842 (2009: £1,735) were paid in respect of the Executive Director and Directors' indemnity insurance premiums of £7,422 (2009: £7,878) were paid in respect of all Directors.

MAW Abbott participated in the Company's pension scheme (see note 10) and the Company made payments of £6,000 during the period in respect of pension contributions.

Directors' share options outstanding at 31 July 2010 and at 31 July 2009

	Exercise price	Number of options	Date granted	First date of exercise
M A W Abbott	**16.17p**	**618,429**	**12/05/2008**	**01/08/2010**

No Director is entitled to receive any shares under the terms of any long term incentive scheme in respect of qualifying services other than as noted above. No options were granted to the Directors in the year to 31 July 2010.

9. Share based payment plans

On 13 May 2008, the Company established an Enterprise Management Incentive Scheme and made the initial grant of options to all eligible employees.

Options have been granted over a total of 1,631,908 ordinary shares at an exercise price of 16.17p (being the average middle-market closing price on the three trading days preceding the grant). The options are exercisable on or after 1 August 2010. The options vested to the grantees in service at 1 August 2010. The options do not have a cash settlement alternative. During the year 176,252 options were forfeited when an eligible employee left the Company. At the end of the year there were options granted over a total of 1,455,656 ordinary shares. The charge to income in respect of these options is £29,606 (2009: £30,076). An amount equivalent to the charge to income is credited to reserves and appears in the Group and Company balance sheets described as "share based payment reserve".

On 1 September 2009, the Company granted additional options to all eligible employees, excluding the Managing Director.

Options have been granted over a total of 1,470,724 ordinary shares at an exercise price of 11p (being the average middle-market closing price on the three trading days preceding the grant). The options are exercisable on or after 1 September 2011. The options will vest if the grantees are in service at the 1 September 2011. The options do not have a cash settlement alternative. The charge to income in respect of these options is £25,225 (2009: £nil). An amount equivalent to the charge to income is credited to reserves and appears in the Group and Company balance sheets described as "share based payment reserve".

The fair value of equity settled share options granted is estimated as at the date of grant using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model.

	13 May 2008 and 1 September 2009
Dividend yield	–
Expected share price volatility (%)	35
Risk-free interest rate (%)	5.5
Expected life of option (years)	2

Due to the short post-demerger trading history, the expected volatility is based on the assumption that the historical volatility of a sample of oil and gas companies is indicative of future trends for Egdon Resources plc, which may not necessarily be the actual outcome.

No further options have been issued since 1 September 2009 and none of the options have been exercised, or have lapsed. The weighted average exercise price at the start and end of the year is therefore 16.17p for the 13 May 2008 options and 11p for the 1 September 2009 options.

10. Defined contribution pension plan

The Group operates a defined contribution retirement plan for all qualifying employees who wish to participate. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

The total cost in the year of £10,838 (2009: £9,549) represents the sum payable to the scheme by the Group at rates agreed in respect of participating employees.

11. Finance income

	2010 £	2009 £
Interest receivable on short term deposits	**1,156**	30,226

12. Finance costs

	2010 £	2009 £
Unwinding of decommissioning discount	**27,905**	20,798
Other interest payable	**809**	–
	28,714	20,798

13. Income tax

The major components of income tax expense for the years ended 31 July 2010 and 2009 are:

	2010 £	2009 £
a) Consolidated income statement		
Current income tax charge	**113**	–
b) A reconciliation between tax expense and the product of accounting result for the years ended 31 July 2010 and 2009 is as follows:		
Accounting profit/(loss) before tax from continuing operations	**235,417**	(83,523)
Profit/(loss) on ordinary activities multiplied by the standard rate of tax of 28% (2009: 28%)	**65,917**	(23,386)
Expenses not permitted for tax purposes	**25,052**	15,053
Utilisation/carry forward of tax losses	**(90,856)**	8,333
Income tax expense reported in the income statement	**113**	–

c) Factors that may affect the future tax charge:

The Group has trading losses of £20,888,574 (2009: £15,926,283) which may reduce future tax charges. Future tax charges may also be reduced by capital allowances on cumulative capital expenditure, supplementary allowance on ring-fenced exploration expenditure and the extent to which any profits are generated by any ring-fenced activities, which may attract a higher rate of tax.

d) Deferred taxation

The Group has an unrecognised deferred taxation asset of £1,752,319 (2009: £2,369,520) at year end. This is represented by accumulated tax losses of £5,848,802 (2009: £4,459,359) offset by accelerated capital allowances of £4,096,481 (2009: £2,089,839).

14. Profit/(loss) per share

Basic profit/(loss) per share	2010 £	2009 £
Net profit/(loss) for the financial year	**235,417**	(83,523)
Basic weighted average ordinary shares in issue during the year	**80,882,893**	71,283,718

	Pence	Pence
Basic profit/(loss) per share	**0.29**	(0.12)

Diluted profit/(loss) per share

	2010 £	2009 £
Net profit/(loss) for the financial year	**235,417**	(83,523)
Diluted weighted average ordinary shares in issue during the year	**80,887,969**	71,283,718

	Pence	Pence
Diluted profit/(loss) per share	**0.29**	(0.12)

The 13 May 2008 share options have been excluded as these would be anti-dilutive.

15. Losses attributable to Egdon Resources plc

The loss for the financial year dealt with in the financial statements of Egdon Resources plc was £272,197 (2009: £334,598). As permitted by Section 408 of the Companies Act 2006, no income statement is presented in respect of Egdon Resources plc.

16. Intangible fixed assets

Group	Goodwill £	Exploration and evaluation costs £	Other intangibles £	Total £
Cost				
At 1 August 2008	2,856	6,843,219	–	6,846,075
Additions	–	1,281,664	131	1,281,795
Arising on acquisition	–	885,976	–	885,976
Reclassifications to D&P assets	–	(1,836,249)	–	(1,836,249)
Gross margin on oil sales from well testing	–	(8,150)	–	(8,150)
Transfer	–	(11,109)	11,109	–
Disposals	–	(1,469,183)	–	(1,469,183)
At 1 August 2009	2,856	5,686,168	11,240	5,700,264
Additions	**–**	**1,835,437**	**–**	**1,835,437**
Reclassifications to D&P assets	**–**	**(207,105)**	**–**	**(207,105)**
Gross margin on oil sales from well testing	**–**	**(32,767)**	**–**	**(32,767)**
Reclassifications to Assets held for sale (note 22)	**–**	**(13,805)**	**–**	**(13,805)**
Disposals	**–**	**(246,635)**	**–**	**(246,635)**
At 31 July 2010	**2,856**	**7,021,293**	**11,240**	**7,035,389**
Amortisation				
At 1 August 2008	2,856	1,371,553	–	1,374,409
Disposals	–	(1,469,183)	–	(1,469,183)
Exploration written off	–	97,630	–	97,630
At 1 August 2009	2,856	–	–	2,856
Disposals	**–**	**–**	**–**	**–**
Exploration written off	**–**	**–**	**–**	**–**
At 31 July 2010	**2,856**	**–**	**–**	**2,856**
Net book value				
At 31 July 2010	**–**	**7,021,293**	**11,240**	**7,032,533**
At 31 July 2009	–	5,686,168	11,240	5,697,408

Goodwill relates to the acquisition of shares in Egdon Resources (New Ventures) Ltd. Additions to exploration and evaluation costs represent exploration and appraisal costs incurred in the year in respect of unproven properties.

After 1 August 2009, other intangibles represent the costs of purchased data and other geological standards which are used to assist with formulating strategy for licence applications and asset purchases. The costs are subject to an annual impairment test, and elements are written off if they have no future commercial value.

In the year ended 31 July 2010, additions includes £534,825 in respect of interests in nine exploration and appraisal licences acquired from EnCore in return for issue of shares in Egdon (note 27).

The Group's unevaluated oil and gas interests at 31 July 2010 are its equity interests in licences in the UK and France held through its wholly owned subsidiaries Egdon Resources U.K. Limited and Egdon Resources Avington Limited, and through sub-subsidiaries Egdon Resources (New Ventures) Ltd, Egdon Resources Europe Limited, Egdon Resources France Limited and Aquitaine Exploration Limited.

A formal impairment review has been carried out and the Directors have considered and reviewed the potential value of all projects and licences, The Directors have also considered the likely opportunities for realising the value of licences, either by development of discovered hydrocarbons, the farm-out of the asset leading to a development or by the disposal of the assets, and have concluded that the likely value of the expenditure on each exploration area is individually in excess of its carrying amount. On the basis of this impairment review, the amount described as exploration written off, which relates to dry wells and relinquished licences has been charged to the consolidated income statement.

17. Property, plant and equipment

Group	Development and production assets £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 August 2008	932,232	4,686	48,021	984,939
Additions	148,662	–	2,167	150,829
Disposals	(68,392)	–	–	(68,392)
Reclassifications from intangibles	1,836,249	–	–	1,836,249
At 1 August 2009	2,848,751	4,686	50,188	2,903,625
Additions	**6,176,363**	**–**	**7,785**	**6,184,148**
Disposals	**(218,462)**	**–**	**–**	**(218,462)**
Reclassifications from intangibles	**207,105**	**–**	**–**	**207,105**
At 31 July 2010	**9,013,757**	**4,686**	**57,973**	**9,076,416**
Depreciation				
At 1 August 2008	170,620	4,686	34,017	209,323
Charge for the year	233,472	–	8,397	241,869
Disposals	(28,055)	–	–	(28,055)
At 1 August 2009	376,037	4,686	42,414	423,137
Charge for the year	**256,882**	**–**	**8,464**	**265,346**
Disposals	**(34,430)**	**–**	**–**	**(34,430)**
At 31 July 2010	**598,489**	**4,686**	**50,878**	**654,053**
Net book value				
At 31 July 2010	**8,415,268**	**–**	**7,095**	**8,422,363**
At 31 July 2009	2,472,714	–	7,774	2,480,488

In the year ended 31 July 2010, additions includes £4.5 million in respect of a 10% interest in the Ceres gas field acquired from EnCore in return for issue of shares in Egdon (note 27).

Company	Computer equipment £
Cost	
At 1 August 2008	665
Additions	2,167
At 1 August 2009	2,832
Additions	**7,785**
At 31 July 2010	**10,617**
Depreciation	
At 1 August 2008	74
Charge for the year	566
At 1 August 2009	**640**
Charge for the year	**3,322**
At 31 July 2010	**3,962**
Net book value	
At 31 July 2010	**6,655**
At 31 July 2009	2,192

18. Investments in subsidiaries

	Shares in subsidiary undertakings £	Loan to subsidiary undertakings £	Total £
Balance at 31 July 2008 as restated	9,138,000	–	9,138,000
Additions in year	826,782	–	826,782
Balance at 31 July 2009	9,964,782	–	9,964,782
Additions in year	–	5,034,824	5,034,824
Balance at 31 July 2010	**9,964,782**	**5,034,824**	**14,999,606**

The balance represents the investment in Egdon Resources U.K. Limited and Egdon Resources Avington Limited. The loan advanced in the year ended 31 July 2010 represents the value of license interests acquired from EnCore Oil plc transferred to Egdon Resources U.K. Limited and Egdon Resources Europe Limited.

Holdings of more than 20%
As at the year end the Company directly and indirectly held more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class of shares held	% of shares held
Egdon Resources U.K. Limited	England	Ordinary	100
Egdon Resources (New Ventures) Ltd	England	Ordinary	100
Egdon Resources Europe Limited	England	Ordinary	100
Egdon Resources Avington Limited	England	Ordinary	100
Egdon Resources France Limited	England	Ordinary	100
Aquitaine Exploration Limited	England	Ordinary	100

Egdon Resources U.K. Limited, Egdon Resources (New Ventures) Ltd, Egdon Resources Europe Limited, Egdon Resources Avington Limited, Egdon Resources France Limited and Aquitaine Exploration Limited are involved in oil and gas exploration and production.

19. Inventory

	Group 2010 £	Group 2009 £	**Company 2010 £**	Company 2009 £
Oil stock	**–**	12,127	**–**	–

20. Trade and other receivables

	Group 2010 £	Group 2009 £	**Company 2010 £**	Company 2009 £
Amounts falling due within one year				
Trade receivables	**506,912**	286,099	**–**	–
Amounts owed by subsidiaries	**–**	–	**1,156,454**	70,595
VAT recoverable	**133,263**	63,637	**10,863**	6,114
Other receivables	**213,319**	13,319	**–**	–
Prepayments and accrued income	**185,402**	74,447	**23,978**	33,961
	1,038,896	437,502	**1,191,295**	110,670

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

21. Available for sale financial assets

	Group 2010 £	Group 2009 £
At 1 August 2009	**50,000**	50,000
Additions	**–**	–
Fair value at 31 July 2010	**50,000**	50,000

The investment in securities above represents an investment in Infrastrata plc (previously Portland Gas plc) redeemable preference shares. The securities are held at cost as an approximation of fair value.

22. Assets held for sale

	Group 2010 £	Group 2009 £
Intangible assets	**13,805**	–
Cash at bank	**7,795**	–
Assets held for sale	**21,600**	–
Trade payables	**1,979**	–
Other taxes and social security costs	**1,916**	–
Accruals and deferred income	**4,750**	–
Liabilities directly associated with assets classified as held for sale	**8,645**	–
	12,955	–

At 31 July 2010 the Company classified Egdon Resources (New Ventures) Ltd as a disposal group. This included the Navacelles and Gex Sud permits previously included in exploration and evaluation assets and all other associated current assets and liabilities.

The sale of 100% of the share capital of Egdon Resources (New Ventures) Ltd was completed on 5 October 2010 for a consideration of £4.5 million in cash and the grant of options in relation to the permits sold.

The permits are measured at their carrying amount as this is lower than the fair value less costs to sell. There are no discontinued operations as a result of this sale, due to the non producing nature of the permits, which are yet to generate any direct costs or revenues.

23. Cash and cash equivalents

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Short term bank deposits	**370,918**	989,256	**–**	–
Restricted cash at bank	**295,527**	295,259	**–**	–
Cash at bank	**1,363,390**	22,628	**36,952**	2,108
	2,029,835	1,307,143	**36,952**	2,108

The Directors consider that the carrying amount of these assets approximates to their fair value. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Restricted cash at bank represents funds held in escrow accounts under arrangements relating to decommissioning and similar obligations at Keddington and Burton Agnes.

24. Trade and other payables

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade payables	**802,053**	204,485	**41,354**	1,431
Amounts due to subsidiaries	**–**	–	**–**	502,946
Other taxes and social security costs	**14,487**	–	**14,487**	–
Accruals and deferred income	**823,127**	106,593	**25,070**	18,300
	1,639,667	311,078	**80,911**	522,677

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

25. Financial assets and liabilities

The Group's objective is to minimise financial risk and the policies to achieve this are to fund operations from equity capital and not to make use of derivatives or complex financial instruments. The Group's ordinary shares are considered to be equity capital, together with share premium, share based payment reserve and retained earnings. There have been no changes in this policy in the year under review. The Group is not subject to any externally imposed capital requirements.

The Group's financial instruments comprise cash and cash equivalents, trade payables, accruals, trade receivables, other receivables and available for sale assets which arise directly from its operations. The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk, foreign currency exchange risk and market risk. Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the Company's finance department.

Credit risk

The credit risk on liquid funds is limited because the Group policy is to only deal with counterparties with high credit ratings and more than one institution is utilised to deposit cash holdings. At year end the Group had cash and cash equivalents of £2,029,835 (2009: £1,307,143) and the Company £36,952 (2009: £2,108). The balances at 31 July 2010 are held with two banks. Trade receivables largely comprise amounts due from trading entities and total £506,912 (2009: £286,099) for the Group and £nil (2009: £nil) for the Company (note 20). Trade receivables are mainly due from joint venture partners, where the Group would have alternative means of recourse in the event of any credit default. At the year end, the total exposure to credit risk was £2,800,066 (2009: £1,656,561); Company £36,952 (2009: £2,108).

Liquidity risk

The Group policy is to actively maintain a mixture of long term and short term deposits that are designed to ensure it has sufficient available funds for operations. The Group also has access to a loan facility of £1,500,000 provided by EnCore Oil plc. The Group monitors its levels of working capital to ensure it can meet financial liabilities as they fall due. The Group's financial liabilities comprise trade and other payables as set out in note 24, held at amortised cost, which total £1,639,667 (2009: £311,078) and are all due within 1–2 months. Additionally the Group has a liability under a Net Profit Interest agreement where £21,269 is estimated to be due within 12 months.

Interest rate risk

The Group has interest bearing assets, comprising cash balances which earn interest at variable rates. The financial assets of the Group are cash at bank and fixed term bank deposits (money market) most of which are Sterling denominated, further detailed below:

	2010 £	2009 £
Cash at bank at floating interest rates	**370,918**	989,256
Restricted cash at bank	**295,527**	295,259
Cash at bank	**1,363,390**	22,628

Cash at bank at floating rates consisted of money market deposits which earn interest at rates set in advance for periods up to three months by reference to Sterling LIBOR. Restricted cash at bank represents amounts lodged in support of guarantee commitments, earning interest at short term rates based on Sterling LIBOR.

An effective interest rate increase or decrease by 1% on the cash and cash equivalents balance at year end would result in a before tax financial effect of an increase or decrease in finance income of £20,298 (2009: £13,071)

Foreign currency exchange risk

The Group is exposed to foreign currency exchange rate risk in relation to short term bank deposits, trade receivables and payables denominated in US Dollars and Euros. The value of the Group's financial assets denominated in foreign currencies at 31 July 2010 was £85,206 (2009: £337,434); Company £nil (2009: £nil). A 10% change in the Sterling exchange rate would result in an increase or decrease of £8,521 (2009: £33,743) in profit before tax.

25. Financial assets and liabilities (continued)

Market risk

Payments to the former shareholder of Egdon Resources Avington Limited under the Net Profit Interest ("NPI") agreement vary in line with the oil price. If the oil price is below $100 per barrel, NPI payments are based on 5% of Egdon's net revenues realised from the licences after subtracting allowable costs. If the oil price exceeds $130 per barrel the NPI payment percentage increases to 10%. If the oil price is between $100 and $130, the NPI payment percentage is 7.5%. The provision at 31 July 2010 assumes that oil price will continue to be less than $100 per barrel. If this level were to be exceeded, the liability would rise, but any increase would be exceeded by the corresponding increase in revenue from oil sales.

26. Provision for liabilities

Group	Other provisions £	Decommissioning provision £	Reinstatement provision £	Total £
At 1 August 2008	–	249,545	–	249,545
Provision made during the year	100,649	(36,837)	422,520	486,332
Paid during the year	(6,342)	–	–	(6,342)
Unwinding of discount	–	20,798	–	20,798
At 1 August 2009	94,307	233,506	422,520	750,333
Provision made during the year	**–**	**208,808**	**37,965**	**246,773**
Paid during the year	**(3,612)**	**–**	**–**	**(3,612)**
Disposals in the year	**–**	**(69,962)**	**(35,527)**	**(105,489)**
Transfer of provision on reclassification to D&P assets	**–**	**116,412**	**(116,412)**	**–**
Unwinding of discount	**–**	**13,762**	**14,143**	**27,905**
At 31 July 2010	**90,695**	**502,526**	**322,689**	**915,910**

Company	Other provisions £	Decommissioning provision £	Reinstatement provision £	Total £
At 1 August 2008	–	–	–	–
Provision made during the year	100,649	–	–	100,649
Paid during the year	(6,342)	–	–	(6,342)
At 1 August 2009	94,307	–	–	94,307
Paid during the year	**(3,612)**	**–**	**–**	**(3,612)**
At 31 July 2010	**90,695**	**–**	**–**	**90,695**

At 31 July 2010 provision has been made for decommissioning costs on the productive fields at Keddington, Avington and Kirklington. Provision has also been made for reinstatement costs relating to exploration and evaluation assets where work performed to date gives rise to an obligation, principally for site restoration. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. This estimate will be reviewed regularly to take into account any material change to assumptions. Decommissioning and reinstatement costs will arise between 2011 and 2021, actual costs will depend on future market prices, any variation in the extent of decommissioning and reinstatement to be performed, whether the works can be performed as part of a multi-well programme or in isolation and progress in the relevant technologies.

Other provisions represents the amount expected to be payable to the former shareholder of Egdon Resources Avington Limited under the Net Profit Interest agreement entered into at the time of acquisition. Of the total provision, £21,269 is estimated to be payable within one year.

27. Share capital and redeemable preference shares

	Allotted, called up and fully paid	
Ordinary share capital – shares of 10p each	Number	£
At 31 July 2008	68,614,340	6,861,434
– Issue of new ordinary shares	6,861,434	686,143
At 31 July 2009	75,475,774	7,547,577
– Issue of new £0.10 ordinary shares	55,200,000	5,520,000
At 31 July 2010	**130,675,774**	**13,067,577**

Redeemable preference shares of £1 each (classed as liabilities)		
At 31 July 2009	50,000	12,500
At 31 July 2010	**50,000**	**12,500**

On 6 April 2010 a placing of 16,000,000 10p ordinary shares with a market value of 12.5p was made. Following the placing 91,475,774 ordinary shares were in issue.

On 28 July 2010 a placing of 39,200,000 10p ordinary shares with a market value of 12.5p was made with EnCore Oil plc in consideration for the acquisition of interests in nine exploration and appraisal licences and a 10% interest in the Ceres gas field. (See notes 17 and 19). Following the placing 130,675,774 ordinary shares were in issue.

On 6 November 2007 50,000 redeemable preference shares of £1 each were issued and are now held by Infrastrata plc. One quarter of the nominal value of these shares is paid up and the shares are entitled to an annual dividend out of distributable profits of 0.00001% per annum on the amount for the time being paid up on each such share and do not carry any voting rights. The Company may redeem the shares at any time by giving preference shareholders one week's notice. Preference shareholders may require the Company to redeem their shares at any time by giving six months' notice. In each case, any redemption is at par and is subject to the provisions of the Companies Act. The preference shares are treated as short term liabilities and included within trade payables.

28. Share premium reserve

During the year to 31 July 2010, 16,000,000 ordinary shares of 10p were issued to institutional and other investors for £1,917,500 after costs, creating additional share premium of £317,500. In addition to this issue, 39,200,000 ordinary shares of 10p were issued to EnCore Oil plc for part consideration of the acquisition of licences (note 27) for £4,900,000 creating additional share premium of £980,000. This resulted in a closing share premium reserve carried forward of £1,362,500.

29. Merger reserve

Company

The merger reserve arose on the demerger of the Egdon Resources Group of companies from Infrastrata plc (formally Portland Gas plc) and represented the difference between the market value of the shares issued on the date of the demerger at the closing rate of trading and nominal value of the shares so issued.

The reserve is not distributable.

Group

The merger reserve was eliminated on demerger effected by a Court Order.

30. Movements in cash and cash equivalents

Group	As at 31 July 2009 £	Cash flow £	**As at 31 July 2010 £**
Cash at bank and in hand	22,628	1,341,066	**1,363,694**
Term deposits	989,256	(618,642)	**370,614**
Restricted cash at bank	295,259	268	**295,527**
Cash and cash equivalents as per balance sheet	1,307,143	722,692	**2,029,835**
Cash held in disposal group (note 22)	–	7,795	**7,795**
Cash and cash equivalents per statement of cash flow	1,307,143	730,487	**2,037,630**

Company	As at 31 July 2009 £	Cash flow £	**As at 31 July 2010 £**
Cash at bank and in hand	2,108	34,844	**36,952**
Cash and cash equivalents	2,108	34,844	**36,952**

31. Obligations under leases

At 31 July 2010 the Group had future minimum commitments under non-cancellable operating leases as follows:

Land and buildings

	2010 £	2009 £
Within one year	**62,113**	61,234
From one to five years	**68,750**	–
	130,863	61,234

32. Capital commitments – tangible and intangible assets

Capital commitments of £1,451,100 (2009: £185,110) relate to expenditure committed under signed authorisations for expenditure and relate to exploration, development and production assets. No other capital commitments have been made as at 31 July 2010.

33. Related party transactions

Mr Walter Roberts is a Non-Executive Director of Egdon Resources plc and is also a director and shareholder in Pinnacle Energy Limited, a company that provides legal and consultancy services to the oil and gas industry. During the year to 31 July 2010 Pinnacle Energy Limited invoiced the Group £130,107 (2009: £147,571) for legal and consultancy services provided at commercial rates and agreed by the Directors of the Company. At the year end £45,606 was owing to Pinnacle Energy Limited (2009: £10,565).

Mr John Rix is a Non-Executive Director of Egdon Resources plc and controlling shareholder in Dorset Exploration Limited and Yorkshire Exploration Limited, companies that hold non-operating partnership interests in certain licences in which Egdon has an interest as operator. During the year to 31 July 2010 Egdon invoiced Dorset Exploration Limited and Yorkshire Exploration Limited £9,602 (2009: £19,784) and £76,315 (2009: £30,711) respectively by way of cost-recovery. At 31 July 2010 £352 (2009: £3,821) was due from Dorset Exploration Limited and £15,295 (2009: £7,050) was due from Yorkshire Exploration Limited. These amounts have been paid since the year end.

The Company and Group also have a related party relationship with its subsidiaries in the course of normal operations.

33. Related party transactions (continued)

During the year the Company provided management services, and billed for time spent on subsidiary Company projects. The total amounts invoiced were as follows:

	2010 £	2009 £
Egdon Resources (New Ventures) Ltd	**21,445**	23,363
Egdon Resources Europe Limited	**5,525**	4,231
Egdon Resources UK Limited	**458,029**	326,831
Egdon Resources Avington Limited	**5,000**	–
Egdon Resources France Limited	**7,778**	–
Aquitaine Exploration Limited	**5,722**	–
	503,499	354,425

The balances outstanding at 31 July 2010 and 31 July 2009 are set out in the following table.

As at 31 July 2010 **Related party**	**Amounts owed by related parties £**	**Amounts owed to related parties £**
The ultimate parent		
Egdon Resources plc	**6,191,278**	**–**
Subsidiaries		
Egdon Resources (New Ventures) Ltd	**–**	**7,820**
Egdon Resources Europe Limited	**–**	**2,276,266**
Egdon Resources U.K. Limited	**–**	**3,888,692**
Egdon Resources Avington Limited	**–**	**5,000**
Egdon Resources France Limited	**–**	**7,778**
Aquitaine Exploration Limited	**–**	**5,722**

As at 31 July 2009 **Related party**	Amounts owed by related parties £	Amounts owed to related parties £
The ultimate parent		
Egdon Resources plc	70,595	502,946
Subsidiaries		
Egdon Resources (New Ventures) Ltd	49,864	–
Egdon Resources Europe Limited	20,731	–
Egdon Resources U.K. Limited	–	485,454
Egdon Resources Avington Limited	–	17,492

34. Control of the Group

There is no ultimate controlling party of Egdon Resources plc.

35. Post balance sheet events

Completion of Sale of Egdon Resources (New Ventures) Limited

On 5 October 2010 the sale of Egdon Resources (New Ventures) Ltd ("ERNV"), the holder of certain of Egdon's permit interests in France, to eCORP Oil and Gas UK Ltd ("eCORP") was completed.

The consideration was £4.5 million in cash and the grant of options in relation to the permits sold. The assets of ERNV at completion were a 60% interest in the Navacelles Permit, a 40% interest in the Gex Permit and a 40% interest in the Gex Sud Permit Application (the "Permit Interests"). The Options are in relation to a 6% interest in the Gex Permit and the Gex Sud Permit Application and a 9% interest in the Navacelles Permit. These Options are exercisable up to the later of two years from the 23 June 2010 (or in the case of the Gex Sud Permit Application two years from any licence award) or 60 days following plugging and abandonment or the completion of initial testing of the first well on each permit, subject to an end-stop date of 23 June 2015. On exercise of any Back-In Option Egdon will pay to ERNV its pro-rata share of all costs incurred by ERNV on that permit and pay to eCORP the appropriate proportion of the original acquisition price.

Prior to completion, the beneficial interests in the St. Laurent and Pontenx Permits previously held by ERNV were transferred to two newly-incorporated Egdon subsidiaries, Egdon Resources France Limited and Aquitaine Exploration Limited.

Completion of this transaction results in a profit on disposal of ERNV in the region of £4.2 million, significantly increasing Group net assets. This will be recognised in the 2010/11 Group financial statements.

Farm-out of PEDL139 and PEDL140

On 4 August 2010 Egdon announced a series of farm-out agreements in relation to East Midlands licences PEDL139 and PEDL140 which resulted in the preservation of the licences for a further five years to enable a full evaluation of both the Coal Bed Methane ("Upper Horizon") and shale gas potential ("Lower Horizon").

Egdon now holds a 10% interest in the Upper Horizon in PEDL139 and PEDL140 and a 13.5% in the Lower Horizon. eCORP will carry Egdon's interest in the drilling an testing of a well to test the Lower Horizon to be drilled before 30 September 2013.

Drawdown on Loan Facility

On 17 August 2010 Egdon issued a Notice of Drawdown for the sum of £1 million in relation to the Facility Agreement made available by EnCore Oil plc as part of the transaction whereby Egdon acquired certain of EnCore's UK and French assets and which completed on 28 July 2010. The funds were made available to Egdon on 17 September 2010. The Facility Agreement provides a term loan facility for a period of two years from 28 July 2010 in an aggregate amount equal to £1,500,000 which can be drawn down at the request of Egdon in tranches of £250,000 at an interest rate of 10% or LIBOR plus 5% if greater.

Letter from the Chairman with Notice of Annual General Meeting

EGDON RESOURCES PLC
(THE "COMPANY")

(Incorporated and registered in England and Wales with registered number 06409716)

Directors

Philip Stephens	Non-Executive Chairman
Mark Abbott	Managing Director
Alan Booth	Non-Executive Director
Andrew Hindle	Non-Executive Director
Kenneth Ratcliff	Non-Executive Director
John Rix	Non-Executive Director
Walter Roberts	Non-Executive Director and Company Secretary

Registered Office:
The Wheat House
98 High Street
Odiham
Hampshire
RG29 1LP

2 November 2010

Dear Shareholder,

1. Introduction

Notice of the Company's forthcoming Annual General Meeting to be held on Tuesday 7 December 2010 ("AGM" or "Annual General Meeting") appears on the following pages.

As in previous years your Board is not recommending the payment of a dividend.

2. Resolutions to be proposed at the AGM

Ordinary Business

Annual Report and Accounts (Resolution 1)

A copy of the annual report and accounts (together with the Directors' and Auditor's reports on the annual report and accounts) for the Company for the financial year ended 31 July 2010 (the "Accounts") has been sent to you with this document. Shareholders will be asked to receive the Accounts at the Annual General Meeting.

Re-appointment of Auditors (Resolution 2)

The Company is required at each general meeting at which accounts are presented to appoint an auditor to hold office until the next such meeting. Resolution 2 proposes the re-appointment of Nexia Smith & Williamson Audit Limited as auditor of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at which accounts are laid, and authorises the Directors to determine their remuneration.

Retirement by Directors (Resolutions 3 to 5)

Alan Booth who was appointed to the Board on 28 July 2010, retires in accordance with the Company's Articles of Association and offers himself for re-election. Kenneth Ratcliff and John Rix are the Directors retiring by rotation this year and each offers himself for re-election. All members of the Board are required to submit themselves for re-election at least once every three years. Brief biographical details of each of the Directors appear on page 10 of the Accounts.

Special Business

Authority of Directors to allot shares (Resolution 6)

The authority given to the Directors to allot further shares in the capital of the Company requires the prior authorisation of the shareholders in general meeting under Section 551 Companies Act 2006. Upon the passing of Resolution 6, pursuant to paragraph (A) of the Resolution, the Directors will have authority to allot shares up to a maximum of £4,355,859 which is approximately one-third of the current issued share capital as at 2 November 2010, being the latest practicable date before the publication of this Letter. This authority will expire immediately following the annual general meeting in 2011 or, if earlier, six months following the date to which the Company's next annual report and accounts are made up.

In addition, in accordance with the guidance from the Association of British Insurers ("ABI") on the expectations of institutional investors in relation to the authority of directors to allot shares, upon the passing of Resolution 6, the Directors will have authority (pursuant to paragraph (B) of the Resolution) to allot an additional number of ordinary shares up to a maximum of £4,355,859, which is approximately a further third of the current issued ordinary share capital as at 2 November 2010, being the latest practical date before the publication of this Letter. However, the Directors will only be able to allot those shares for the purposes of a rights issue in which the new shares are offered to existing shareholders in proportion to their existing shareholdings. This authority will also expire immediately following the next Annual General Meeting or, if earlier, six months following the date to which the Company's next annual report and accounts are made up to.

As a result, if Resolution 6 is passed, the Directors could allot share representing up to two-thirds of the current issued share capital pursuant to a rights issue.

Disapplication of pre-emption rights (Resolution 7)
If the Directors wish to exercise the authority under Resolution 6 and offer unissued shares (or sell any shares which the Company may purchase and elect to hold as treasury shares) for cash, the Companies Act 2006 requires that unless shareholders have given specific authority for the waiver of the statutory pre-emption rights, the new shares be offered first to existing shareholders in proportion to their existing shareholdings. In certain circumstances, it may be in the best interests of the Company to allot new shares (or to grant rights over shares) for cash without first offering them to existing shareholders in proportions to their holdings.

Resolution 7 would authorise the Directors to do this by allowing the Directors to allot shares for cash (i) by way of a rights issue (subject to certain exclusions), (ii) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportions to their shareholdings (subject to certain exclusions) and (iii) to persons other than existing shareholders up to an aggregate nominal value of £653,378 which is equivalent to 5% of the issued share capital of the Company on 2 November 2010, being the latest practicable date prior to the publication of this Letter. If given, the authority will expire on the conclusion of the Annual General Meeting in 2011 or, if earlier, six months following the date to which the Company's next annual reports and accounts are made up.

3. Recommendation
Your Directors consider the resolutions to be proposed at the AGM to be in the best interests of the Company and its shareholders as a whole. Consequently, the Directors recommend shareholders to vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings totalling 16,402,737 ordinary shares (representing 12.55% of the Company's issued share capital as at the date of this Letter).

A form of proxy is included for use at the AGM. Forms of proxy should be completed, signed and returned as soon as possible and in any event so as to be received by Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours prior to the time appointed for the holding of the AGM on 7 December 2010. Completion of a proxy form will not prevent you from attending the AGM in person if you so wish.

Yours sincerely,

Philip Stephens
Non-Executive Chairman

EGDON RESOURCES PLC

(Incorporated and registered in England and Wales with registered number 06409716)

Notice is hereby given that the Annual General Meeting of Egdon Resources plc (the "Company") will be held at the offices of Buchanan Communications Limited, 45 Moorfields, London EC2Y 9AE, United Kingdom on Tuesday 7 December 2010 at 1130 hours for the purpose of passing the following resolutions, of which Resolutions 1 to 6 will be proposed as Ordinary Resolutions and Resolution 7 will be proposed as a Special Resolution:

Ordinary Resolutions:

1 To receive the report of the Directors and the audited accounts of the Company for the year ended 31 July 2010, together with the report of the Auditor on those audited accounts.

2 That Nexia Smith & Williamson Audit Limited be and are hereby re-appointed as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the meeting, at a remuneration to be determined by the Directors.

3 To re-elect Alan Booth as Director who retires pursuant to Article 87 of the Company's Articles of Association and who, being eligible, offers himself or re-election.

4 To re-elect Kenneth Ratcliff as Director who retires pursuant to Article 92 of the Company's Articles of Association and who, being eligible, offers himself for re-election.

5 To re-elect John Rix as Director who retires pursuant to Article 92 of the Company's Articles of Association and who, being eligible, offers himself for re-election.

6 To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 Companies Act 2006 (CA 2006) to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:

(A) up to an aggregate nominal amount of £4,355,859; and

(B) comprising equity securities (within the meaning of Section 560 CA 2006) up to a further aggregate nominal amount of £4,355,859 in connection with an offer by way of a rights issue:

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts).

The authorities conferred on the Directors under paragraphs (A) and (B) above shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or 31 January 2012, whichever is the earlier save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for, or to convert any security into, shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for, or to convert any security into, shares (as the case may be) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolution:

7 To consider and, if thought fit, to pass the following resolution as a Special Resolution:

THAT, subject to the passing of Resolution 6 above the Directors be and they are hereby empowered pursuant to Section 570 CA 2006 to allot equity securities (within the meaning of Section 560 CA 2006) for cash pursuant to the authority conferred by Resolution 6, as if Section 561 CA 2006 did not apply to any such allotment, provided that this power shall be limited:

(A) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under paragraph (B) of Resolution 6, by way of a right issue only):

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts); and

(B) to the allotment (otherwise than under paragraph (A) of this Resolution 7) of equity securities up to an aggregate nominal amount of £653,378

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or 31 January 2012, whichever is the earlier, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Dated 2 November 2010

By Order of the Board

Walter Roberts
Secretary

Registered Office:
The Wheat House
98 High Street
Odiham
Hampshire
RG29 1LP

Notes:

1 A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member. If a member wishes to appoint more than one proxy and so requires additional proxy forms, the member should contact Capita Registrars on +44 (0)871 664 0300 (calls cost 10p per minute plus network extras). A form of proxy for use by members at the Annual General Meeting accompanies this notice.

2 To be effective, the form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority, must be received by post or (during normal business hours only) by hand at the office of the Company's Registrars, being Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time of the holding of the meeting or any adjournment thereof.

3 Completion and return of the proxy form does not preclude a member from attending and voting at the meeting in person.

4 In the case of joint shareholders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint shareholders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

5 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

6 In order to revoke a proxy instruction you will need to inform the Company by sending notice in writing clearly stating your intention to revoke your proxy appointment to Company's Registrars, being Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than 48 hours before the time of the holding of the meeting or any adjournment thereof. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

7 In accordance with the permission in Regulation 41(1) of The Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), only those holders of ordinary shares who are registered on the Company's share register at 1800 hours on 3 December 2010 shall be entitled to attend the above Annual General Meeting (or, in the case of an adjourned meeting, 1800 hours on the day which is two days before the adjourned meeting) and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 1800 hours on 3 December 2010 shall be disregarded in determining the rights of any person to attend and/or vote at the Annual General Meeting.

8 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

9 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.

10 Copies of the service agreements and letters of appointment between the Company and its Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and Bank Holidays excluded) until the date of the meeting and also on the date and at the place of the meeting from half an hour before the meeting until the conclusion of the meeting.

Notes

Directors, officers and advisors

Directors

Philip Stephens	Non-Executive Chairman
Mark Abbott	Managing Director
Walter Roberts	Non-Executive Director and Company Secretary
Andrew Hindle	Non-Executive Director
Ken Radcliff	Non-Executive Director
John Rix	Non-Executive Director
Alan Booth	Non-Executive Director

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Walnut Tree Close
Guildford
Surrey GU1 4RA

Legal Advisors
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3 More London Riverside
London SE1 2AQ

Accountants and Tax Advisors
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