



EGDON RESOURCES plc
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2012

Oil and Gas Exploration and Production

WELCOME TO **Egdon Resources plc**

Egdon Resources plc is an independent onshore focused oil and gas exploration and production business

- ◆ An established oil and gas exploration and production company focused on onshore UK and mainland Europe
- ◆ A developing business with 29 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 Company for future growth
- ◆ A proven operator with an experienced and respected management team
- ◆ A strong focus on safety and 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 exploration business with a focus on onshore European operations

In a change to our strategy the Group will look to increase shareholder value by:

- ◆ A renewed focus on fewer higher impact opportunities in existing core onshore business areas
- ◆ An exploration focus on the UK onshore for both conventional and non-conventional plays
- ◆ A focus on French onshore conventional plays
- ◆ Looking to grow near-term revenues through investment in existing and new production, development and appraisal projects
- ◆ Broadening and strengthening the asset and opportunity base of the Group through licence applications, targeted acquisitions and innovative deal making
- ◆ Proactively managing the portfolio via farm-outs and strategic divestments to maximise returns and manage risk



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Operational Highlights

- ◆ Production of 45,656 barrels of oil equivalent (2011: 46,919 barrels of oil equivalent)
- ◆ Portfolio of 29 licences in UK and France (2011: 29)
- ◆ 3D seismic programme completed over Broughton and Wressle prospects in PEDL180/182
- ◆ Completion of extended well test at Waddock Cross indicates potential for commercial development
- ◆ Continued progress made with lands and planning for UK drilling programme with planning consent received for Westerdale-2 exploration well during period
- ◆ Production commenced post year end at Dukes Wood and Kirklington
- ◆ Significant prospective shale-gas resource identified in PEDL139/140

Financial Highlights

- ◆ Revenues from oil and gas sales during the year up 9.9% to £2.61 million (31 July 2011: £2.38 million)
- ◆ Loss for the year £2.89 million (31 July 2011: profit of £4.08 million)
- ◆ Impairment charge recognised of £3.15 million (31 July 2011: £0.23 million)
- ◆ Negative goodwill of £0.41 million recognised on the acquisition of Dorset Exploration Limited
- ◆ Basic loss per share of 2.21p (31 July 2011: earnings of 3.12p)
- ◆ Equity as at 31 July 2012 of £17.42 million (31 July 2011: £20.17 million)
- ◆ Net current assets as at 31 July 2012 of £2.17 million (31 July 2011: £3.28 million)

Corporate Highlights

- ◆ Completed the sale of a 10% interest in the Avington oil field for total cash consideration of £400,000
- ◆ Completed the acquisition of Dorset Exploration Limited
- ◆ Sold a 15% interest in PEDL118 and PEDL203 for £200,000 in cash and a future well carry of £150,000
- ◆ Completed the farm-out of a 12.5% interest in PEDL201

Oil and Gas revenues

+ 9.9%

£2.61m

(31 July 2011: £2.38m)

Production

- 2.3%

125 boepd

(2011: 128 boepd)

Total Licence holdings

29

(31 July 2011: 29)

Chairman's Review

PHILIP STEPHENS



The year ended 31 July 2012 has been challenging for Egdon. We have experienced issues with production from both the Kirkleatham and Ceres gas fields and have been frustrated by regulatory and planning delays in a number of our assets. The reduction in expected production has resulted in a shortfall in budgeted cash flow and consequently less available cash to fund our planned exploration programme.

In light of this and the current macroeconomic background the Board has undertaken a review of the business's strategy and near-term priorities. Following this review I can advise that we intend to focus on fewer assets in three core areas and will look to monetise non-core assets and farm-out certain opportunities to fund growth. The core areas are broadly defined as "Northern England", "Southern England" and "France". In Northern England we will pursue both conventional and non-conventional assets as there is strong synergy and often overlap between these plays. Whilst we recognise the sensitivities in relation to shale-gas and particularly the fracking process, we believe that the regulatory framework in the UK will be clarified in the near future to allow these plays to be evaluated in a safe and responsible manner.

Despite the current production issues we remain confident in the quality of our existing portfolio of assets and their ability to deliver shareholder value and we are particularly encouraged by the shale-gas potential of our Gainsborough Trough acreage which has been independently assessed by RPS Energy ("RPS").

Financial

The Group recorded a loss after tax of £2.89 million for the period (2011: profit of £4.08 million) after impairments of £3.15 million for the Kirkleatham (£1.60 million), Ceres (£0.75 million) and Markwells Wood (£0.80 million) assets. Negative goodwill of £0.41 million has been recognised on the acquisition of Dorset Exploration Limited. The 2011 figures included a profit on disposal of £4.34 million related to the sale of some of our French assets and exploration write-downs of £0.89 million.

Revenue from oil and gas production during the year was up 9.9% to £2.61 million (2011: £2.38 million) on slightly lower production of 45,656 barrels of oil equivalent (2011: 46,919 barrels).

As at 31 July 2012, the Group had net assets of £17.42 million (2011: £20.17 million). The Group ended the year with £3.33 million of cash and cash equivalents (2011: £3.69 million) and net current assets of £2.17 million (2011: £3.28 million).

Loss per share for the period was 2.21p (2011: earnings of 3.12p). In line with last year, the Directors do not recommend the payment of a dividend.

Board Changes

In December 2011, John Rix retired as a non-executive director and Jerry Field was appointed as Exploration Director. In March 2012, we announced changes to the Board as a result of the acquisition of EnCore Oil plc by Premier Oil plc ("Premier"). Andrew Lodge, Exploration Director of Premier, was appointed as Premier's nominated non-executive director and at the same time Alan Booth resigned. We are grateful to John and Alan for their contributions to the Company and we are pleased to welcome Jerry and Andrew to the Board.

Corporate Activity and Portfolio Management

As at 31 July 2012, Egdon held interests in 29 licences in the UK and France and we await the award of three further licences. We have continued to rationalise and develop our licence holdings as part of our wider strategy and during the year have relinquished PEDL125 and been awarded P.1916.

During the period we completed the sales of a 10% interest in the Avington oil field for £400,000, and a 15% interest in the Dukes Wood and Kirklington oil fields for a consideration of £200,000 in cash and a future well contribution of £150,000.

In July 2012 Egdon completed the acquisition of Dorset Exploration Limited ("Dorset") for a consideration satisfied by the issue of 1,223,242 Ordinary shares of Egdon. Dorset holds a 10% interest in each of PL090 and PEDL237 and this acquisition increases Egdon's net interest in these licences to 55%, adding 11 million barrels ("mmbbls") of Best Estimate Prospective Oil Resources to Egdon and increasing our interest in the Waddock Cross oil field.

We continue to engage in discussions regarding the delayed award of a 26th UK Offshore Round licence which contains a near-shore gas discovery, and remain hopeful of an award during 2013.

Production

Production during the period averaged 125 barrels of oil equivalent per day ("boepd") (2011: 128 boepd) from Keddington, Avington, Kirkleatham and Ceres. This is below our expectation as a result of previously reported issues with production at the Ceres and Kirkleatham gas fields and some delays in Dukes Wood production start-up.

The Keddington oil field continues to produce oil and associated gas from two wells. We are in the process of sanctioning a gas-to-electricity project for the field which will enable up to 1.35 MW of electricity to be generated and exported and anticipate first revenues from this scheme by late summer 2013.

The Avington oil field has continued on production during the period at levels slightly above expectation.

The Ceres gas field has contributed only minor amounts of production during the year as the field has continued to prove challenging. At the time of publishing this report the field remains offline but we expect to be able to report the recommencement of production in the near future. Interpretation of pressure data from a period of flow in June 2012 indicates that the Ceres production well is draining a smaller gas volume than predicted. We expect the proven producing reserves for Ceres to be reduced from the current Net Egdon volume of 3.7 billion cubic feet ("bcf") of gas to around 1.3 bcf, to be independently assessed for Egdon in the near future. In light of the reduced reserves expectation and continued production delays we have made an impairment of £750,000 to the Ceres carrying value.

The Kirkleatham gas field remains shut-in due to high water production. We expect to make a decision on the drilling of a side-track by the end of 2012. As a result of the production issues and their impact on the reserves for the field we have made a total impairment of £1.60 million in these results.

The Dukes Wood and Kirklington oil fields were placed on production in September 2012 and are now on sustained production of 20-25 barrels of oil per day ("bopd").

Exploration and Appraisal

The best estimate of our contingent and prospective resources in the UK and France is over 380 million barrels of oil equivalent ("mmboe") (2011: 248 mmboe) which highlights the significant potential for growth from our portfolio. Exploration is a key value driver for Egdon and we will continue with an active exploration and appraisal programme to evaluate the best of these opportunities.

We advised shareholders in April of our intention to develop our UK non-conventional exploration business. We commissioned RPS to undertake a Competent Person's Report ("CPR") on the shale-gas potential of East Midlands licences PEDL139 and PEDL140 where Egdon holds a 13.5% carried interest. We will publish a summary of this

in the near future but I can advise that the evaluation has estimated total gas in place of 1.74 trillion cubic feet ("tcf") net to Egdon's interest. We have also identified further significant shale-gas potential elsewhere in our UK portfolio. Although regulatory uncertainty exists in relation to the development of shale-gas in the UK it has the potential to realise significant benefits to the UK energy market and we are hopeful that a clear regulatory framework will soon be put in place.

We have continued to make progress, albeit slower than anticipated, in securing sites and submitting planning applications for a programme of exploration drilling in the East Midlands, which is expected to commence late in the first quarter of 2013. We now plan an initial programme to drill exploration wells at Broughton or Wressle, Burton on the Wolds and a possible side-track well at Keddington. A side-track of Kirkleatham-4, if approved, could also form part of this initial programme.

Drilling at Biscathorpe, North Kelsey and Louth will form part of a second programme, which we plan to commence late in 2013 or early 2014, partially contingent on farming-out. Elsewhere in Northern England, we have received consent for the Westerdale-2 well, which will appraise the Ralph Cross-1 gas discovery and could form part of this latter drilling programme.

Drilling operations have commenced at Nooks Farm in Staffordshire and are expected to continue into the early part of 2013. Egdon's costs are carried through this programme.

In Southern England we will focus our exploration activity on the Wessex Basin where we will seek to introduce a partner to fund a 3D seismic survey over the main Sherwood Sandstone prospective areas currently identified with a view to firming up a drilling location for 2014. A planning application will be submitted shortly with a view to a development of the Waddock Cross oil field by mid-2013.

The Markwells Wood-1 well (PEDL126 - Egdon 10%) performed below expectations during the extended well test and the well is currently suspended pending a review of possible options for the oil discovery. In light of our expectation for the asset we recognised an impairment of £800,000 at this time.

We were disappointed by the recent dismissal of the Holmwood-1 exploration well planning appeal. The joint venture group has decided to contest this decision through the High Court and we will advise the outcome in due course.

In France our focus will be on the high potential Triassic play in SW France where we are looking to extend the current licence term to allow for the acquisition of a new 2D seismic programme and the drilling of an exploration well. Elsewhere in France we have submitted an application

Chairman's Review

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to renew the Pontenx Permit where we plan to acquire a 3D seismic survey over the Pontenx-3 oil discovery in early 2014. An exploration well is now planned to commence on the Mairy Permit by January 2013.

Further details of our UK and French exploration plans are set out in the Operational Review that follows.

Outlook

Our objective is to grow the asset value of the Company primarily through onshore exploration and production, with revenue from oil and gas production being reinvested to facilitate growth in the underlying asset value of the core business areas.

The Board has undertaken a full review of the business in light of the production issues experienced, reduced short-term revenue expectations and identified key opportunities within the portfolio. The Board has also amended the Company's priorities to meet our stated strategy, by focusing on fewer assets in three core business areas and by looking to monetise non-core assets.

We are encouraged by the independent assessment of the shale-gas potential in our interests in the Gainsborough Trough which has the potential to add considerable shareholder value and we will look to grow our exposure to these developing plays.

Given the continued issues with Ceres and Kirkleatham, we expect full year production for the coming financial year to be in line with 2011-12 at around 125 boepd, although sustained production at Ceres and a contribution from Kirkleatham could increase this substantially. The Company has cash available to progress a number of current priorities and will soon embark on a more active marketing programme to divest certain non-core assets and introduce new partners via farm-out on a number of other projects.

We expect planning decisions for a number of drilling applications from early 2013 onwards and are planning a programme of up to four wells in the first half of 2013.

We have a small team of dedicated staff and on behalf of the Board I would like to thank them for their continuing efforts on behalf of shareholders during a challenging year.

We thank our shareholders for their patience in light of the recent set-backs and remain confident of the quality of our existing portfolio of assets and our strategy in delivering shareholder value.

Philip Stephens

NON-EXECUTIVE CHAIRMAN
2 November 2012

Managing Director's Operational Review

MARK ABBOTT



DURING A CHALLENGING PERIOD THE GROUP HAS MAINTAINED A CLEAR FOCUS ON ONSHORE OPERATIONS IN THE UK AND FRANCE AND DESPITE RECENT PRODUCTION SET-BACKS HAS IDENTIFIED A CLEAR STRATEGY TO GROW SHAREHOLDER VALUE FROM THE EXISTING PORTFOLIO OF CONVENTIONAL AND NON-CONVENTIONAL EXPLORATION ASSETS.

As highlighted in the Chairman's Statement the last year has been overshadowed by issues with the Kirkleatham and Ceres Gas Fields that have impacted on both production and revenue. We have also made slower than expected progress with planning which has resulted in a delay to the start of the planned drilling programme. Shareholders are provided with a review of developments during the period, an update on our assets, and a summary of our planned work programme for the coming period, with the key priorities and growth drivers highlighted.

We have made a strategic decision to focus our business on fewer key assets in three core areas: "Northern England", which includes the East Midlands and our Cleveland Basin and offshore gas assets; "Southern England", which is dominated by Avington production and exploration in the Wessex Basin; and "France", which will see a concentration on our high-impact Aquitaine Basin exploration opportunities. The next year will see us embark on a more active marketing programme to divest non-core assets and introduce new partners via farm-out and we are already making progress in this regard.

We have made progress in developing our position in the exploration and evaluation of non-conventional hydrocarbon plays in the UK. I am particularly encouraged by the potential shale-gas resource identified in our Gainsborough Trough acreage which has been independently assessed by RPS. Egdon have also commissioned RPS to undertake a reserves audit of our key assets which we expect to report before the end of 2012.

As at 31 July 2012 Egdon's reported Proven and Probable oil reserves are estimated as 0.42 mmbbls (2011: 1.01 mmbbls) with the reduction largely due to a downgrade of the estimates for the initial phase of development of Waddock Cross. Our Proven and Probable gas reserves have reduced to 2.9 bcf (2011: 6.71 bcf) due to expected reductions in reserves for Kirkleatham and Ceres as detailed below.

UK

The UK is Egdon's primary business segment with 25 licences, 23 of which are onshore and 13 of which are operated. We have two broadly defined focus areas: Northern England and Southern England.

Northern England

Northern England comprises our main focus area and spans the East Midlands Petroleum Province and the gas prospective areas of the Cleveland Basin and Southern Gas Basin.

In the East Midlands Petroleum Province we have production at Keddington, Dukes Wood and Kirklington, numerous identified drill-ready prospects and a high potential shale-gas exploration play.

The **Keddington Oil Field** (PEDL005R – Egdon 75%) currently produces oil and associated gas from two wells (Keddington-4 and Keddington-3Z) at rates of 70–80 bopd. We are in the process of sanctioning the development of a 1.35 MW gas-to-electricity generation project for the site which we expect to be completed during the second half of 2013. We are developing plans for additional drilling on the field during 2013 and beyond to increase production and total field recovery. We currently carry 0.2 mmbbls of Proven and Probable oil reserves along with around 0.5 bcf of gas for Keddington.

The low risk **Louth Prospect**, located immediately adjacent to Keddington and defined on 3D seismic data, is mapped as containing 1.00 mmbbls Net Egdon Best Estimate Prospective Resources. Negotiations for a suitable drilling site are ongoing with a view to drilling late in 2013 or early 2014.

The **Dukes Wood** and **Kirklington** oil fields (PEDL118 and PEDL203 – Egdon 50%) were put on production during September 2012 and following some commissioning issues are now on sustained production at a rate of around 20–25 bopd. We are evaluating new drilling locations in areas of the Dukes Wood/Eakring field not previously produced (e.g. Eakring North Lead) and locations where producible

Managing Director's Operational Review

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oil remains with a view to agreeing a long-term growth plan for the field. During the year we sold a 15% interest in these projects to Nautical Petroleum AG for a cash consideration of £200,000 and the future payment of £150,000 towards Egdon's share of costs of the next well to be drilled on the licences.

The next exploration wells to be drilled in the area will be at **Burton on the Wolds** and one of the **Wressle** or **Broughton** prospects in the first half of 2013.

The **Wressle**, **Broughton** and **North Kelsey** prospects are on trend with the oil bearing Crosby Warren field and the Brigg discovery. A 3D seismic survey was completed during February 2012 over the Broughton and Wressle prospects and target locations are currently being finalised. The terms for site leases are agreed and planning applications are about to be submitted with a view to drilling in the second quarter of 2013. The **Broughton Prospect** (PEDL182 - Egdon 33.33%) is located immediately up-dip of the 1984 Broughton-B1 well, which tested oil at rates of up to 40 bopd. The prospect is mapped as having Net Egdon Best Estimate Prospective Resources of 1.00 mmbls. The nearby **Wressle Prospect** (PEDL180 - Egdon 33.33%) has Net Egdon Best Estimate Prospective Resources of 1.05 mmbls.

Terms for a drilling site have been agreed and a planning application will be submitted in the final months of 2012 for the **North Kelsey Prospect** (PEDL241 - Egdon 50%) which is mapped on 3D seismic to hold Net Egdon Best Estimate Prospective Resources of 3.25 mmbls. Subject to farm-out this well will be drilled in late 2013.

The **Burton on the Wolds Prospect** (PEDL201 - Egdon 37.5%) is located on the southern margin of the Widmerpool Gulf in Leicestershire and combines a lower risk reservoir target offsetting nearby production with a higher risk play at present untested in the basin. Egdon has farmed-out a 12.5% interest in the well on a promoted basis. We have a site secured and are finalising a planning application for the well which will target Net Egdon Best Estimate Prospective Resources of 1.35 mmbls and is planned to be drilled in the second quarter of 2013.

The **Biscathorpe Prospect** (PEDL253 - Egdon 60%) is located approximately 15 kilometres to the west of the Keddington oil field. Oil was discovered but not tested in a thin sand unit in the Biscathorpe-1 well drilled by BP in 1987. The sand unit is predicted to thicken off the crest of the structure and there is also potential for stratigraphic trapping which could increase the expected prospective reserves from the Net Egdon Best Estimate case of 8.47 mmbls. A site has been secured and a planning application is due to be submitted shortly. It is intended to farm-out the Biscathorpe Prospect prior to drilling later in 2013 or early 2014.

The oil and gas fields of the East Midlands are sourced from rocks of the same age and with similar characteristics to those currently being explored as potential shale-gas

plays in the North West of England and also have similar characteristics to commercial shale-gas source rocks in the USA. Egdon holds a carried interest of 13.5% in a predicted "sweet spot" for potential shale-gas in **Gainsborough Trough** licences PEDL139 and 140. We are encouraged by the recently completed RPS CPR of these blocks, which has reported gas initially in place ("GIIP") of 1.74 tcf net to Egdon. Elsewhere Egdon has identified additional net GIIP of 2.49 tcf. The regulation concerning shale-gas exploration in the UK is currently under review by the government so we do not now expect any exploration well to be drilled before 2014.

In addition to shale-gas there are a number of other gas assets within Egdon's Northern England area.

In offshore licence P.1241 which covers block 47/9c (Egdon 10%), the **Ceres Gas Field** has continued to prove challenging, having contributed only minor amounts of production during the period. The field remains off-line although we expect production to recommence shortly. Recent analysis of pressure data from a period of production in June 2012 has indicated that the current producing well appears to be draining a smaller gas volume than the pre-production expectation. It appears that the well is only accessing a proportion of the mapped volumetric GIIP. We are currently working with the operator to investigate what might be causing this. This is expected to result in a reduction in the Net Egdon Proven and Probable reserves from 3.70 bcf to 1.30 bcf.

In Cleveland Basin licence PEDL068 (Egdon 40%) the **Kirkleatham Gas Field** has been shut-in since February 2012 and the joint venture have concluded that the only way to resume production is to drill a side-track well to an up-dip area of the accumulation. A decision on the drilling of this well is expected by the end of 2012. The Net Egdon Proven and Probable reserves to be accessed by a side-track well are evaluated at 0.22 bcf.

In July 2012 we were granted planning consent for the drilling and testing of a well to appraise the **Ralph Cross/Westerdale** gas discovery (PEDL068 - Egdon 40%) where we map revised Net Egdon Best Estimate Contingent Resources of 3.36 bcf. The well is designed to evaluate the same reservoir from which gas was tested at commercial rates in 1966. The earliest opportunity for the well to be drilled is late 2013 due to planning constraints.

Egdon is in continuing discussions regarding the delayed award of a licence in the **26th UK Offshore Licensing Round** (Egdon 100%) for an area which contains a potentially significant near-shore gas discovery and we remain hopeful of an award during the first half of 2013.

Works have begun at **Nooks Farm** (PEDL141 - Egdon 46%) to seal off the gas leaks found in the existing wells and to re-enter and drill a horizontal production well on this 1982 gas discovery. Egdon is fully carried for these works with drilling operations expected to be completed early in 2013.

and electricity generation anticipated to commence later in 2013.

The **North Somercotes Prospect** (PEDL005R – Egdon 75%), located to the north of the Saltfleetby Gas Field, is mapped from 3D seismic data as containing Net Egdon Best Estimate Prospective Resources of 7.26 bcf. We have landowner agreement for a well site and are in a position to submit a planning application in the near future.

We will look to leverage value from our East Midlands Coal Bed Methane (“CBM”) potential (Estimated Mean Contingent and Prospective Resources of 42 bcf) over the coming period as CBM does not constitute part of Egdon’s future strategy.

Southern England

In our Southern England core area, the Avington oil field (PEDL070 – Egdon 26.67%) has continued on production during the period at levels slightly above expectation. The potential for additional development wells to increase oil production and reserves from the field remains under review. With a single additional side-track well the Net Egdon Proven, Probable and Possible reserves for the field are estimated at 43,000 bbls.

In addition to production at Avington our primary focus in Southern England is the Wessex Basin where we have recently increased our interest to 55% through the acquisition of Dorset Exploration Limited, and see the potential to develop the Waddock Cross oil field and to advance plans for drilling in the high potential Sherwood Sandstone play.

The extended well test at **Waddock Cross** (PL090 – Egdon 55%) has indicated the potential for a commercial development and a planning application is about to be submitted for the phased development of the field. The initial phase will involve production from one well at up to 50 bopd during 2013 followed by additional drilling in 2014 and will access estimated Net Egdon Proven and Probable reserves of 170,000 bbls out of mapped oil in place of over 30 mmbls.

Egdon has mapped a number of leads and prospects at the level of the Sherwood Sandstone, the primary reservoir at the nearby Wytch Farm oilfield. We plan to delineate these by reprocessing existing vintage 2D seismic data and acquiring new 3D seismic with a view to promoting at least one into a drillable prospect during 2013. The Combined Net Egdon Best Estimate Prospective Resources for the Sherwood Sandstone Prospects is 33 mmbls. We will look to farm-out prior to drilling due to the relatively high risk of the play. We have also identified and delineated potential shallow oil play at Langton Herring (PEDL237 – Egdon 55%) which was encountered in the 1959 **Langton Herring North-1** well but may not have been adequately tested (Net Egdon Best Estimate Prospective Resources 1.74 mmbls).

With the award of 26th Round licence P.1916 off the Isle of Wight we have now fully licensed the **“M” Prospect** (Egdon 7.5%), a multi-target prospect with Net Egdon Best Estimate Prospective Resources of 0.34 mmbls.

During the period we relinquished PEDL125 (Egdon 10%) as we were unable to secure a site from which to drill the **Hedge End Prospect**.

France

Egdon holds interests in four French licences, operating three, is awaiting the award of a fifth (Donzacq), and has back-in options on two permits plus a pending application (Gex Sud). We see significant potential to add shareholder value in the country particularly from our conventional oil and gas prospects within the Aquitaine Basin.

Our focus for 2013 is on higher impact exploration within the St Laurent Permit (Egdon 33.423%) where we have mapped the **Audignon Prospect**, a large Triassic sub-salt gas prospect analogous to the Sherwood Sandstone play of Southern England, with Net Egdon Best Estimate Prospective Resources of 896 bcf. A 400km 2D seismic programme is planned for 2013 and a farm-in partner will be sought for this and the drilling of this “company maker” sized prospect. We will look to farm-out or sell our interest in the **Grenade Heavy Oil** discovery during the coming period where we have Net Egdon Contingent Resources of 2.2 mmbls. We also continue to await the award of the adjacent Donzacq Permit (Egdon 33.423%) which contains a possible western extension of Audignon and also the **Bastennes-Gaujacq Prospect** (Net Egdon Best Estimate Prospective Resources of c.220 bcf).

In the northern part of the Aquitaine Basin we expect to renew the Pontenx Permit into its second term and we are developing plans to acquire a 3D seismic programme in early 2014 over the **Pontenx Prospect** (Egdon 40%) where we map Net Egdon Prospective Resources of 1.00 mmbls in one of multiple reservoir targets.

We expect the spud of a well on the **Mairy Permit** around year end 2012 to core and evaluate the oil potential of the Liassic interval. We are at an advanced stage in farming-out this licence and expect to have exposure to 18 mmbls of Net Egdon Prospective Resources on completion.

We have recently elected to relinquish the **Nimes Permit** at the end of its initial term as we did not identify material exploration opportunities within the licence.

Managing Director's Operational Review

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Outlook

Production during the current financial year is expected to be at a similar level to the period under review at 125 boepd, with sustained production at Ceres and resumption of flows at Kirkleatham capable of increasing this significantly. However, we are taking a prudent view of production and cash flow for the coming period and are embarking on an active marketing programme to farm-out certain prospects and to monetise some projects to fund our activities as we look to focus on fewer higher potential assets.

Exploration remains a key growth driver for the business and whilst delayed, we continue to work towards a significant drilling programme over the coming period. Our revised prioritised programme over the next eighteen months will see Egdon commencing a 3-4 well operated programme in the first half of 2013 targeting Net Egdon reserves potential of 2.5 mmbbls with additional drilling later in 2013 contingent upon farm-out and cash flow from production.

We expect our UK shale-gas assets to be an increasing value driver for the business with an expectation of progress in resolving the regulatory uncertainty and the resumption of exploration activity in the UK during the coming period. We are very encouraged by the independent verification of our view of the potential for our Gainsborough Trough acreage and we will look to expand our position in this newly emerging UK play including in the delayed 14th Landward Licensing Round where Egdon expects to be a participant.

I would like to take this opportunity to thank my small team of hard-working professionals at Egdon and our trusted contractors and advisors who assist in the management of our portfolio of assets.

The current period has been challenging, but I look forward to reporting progress in resolving the issues experienced and delivering on our revised strategy for the benefit of shareholders during the coming year.

Mark Abbott

MANAGING DIRECTOR
2 November 2012

UK Licences in Summary

Northern England

PEDL005 (Remainder) Keddington

(75% Egdon operated interest)

- Located in Lincolnshire in the East Midlands Petroleum Province
- Contains the Keddington oil field which produces from Carboniferous sandstone reservoir at a depth of 2,200 metres
- Plans for gas to electricity project being progressed
- 2P Field reserves currently estimated at 0.2 mmbls and 0.5 bcf of gas (Net Egdon)
- Louth Prospect – 3D defined prospect contiguous with Keddington – c.1.00 mmbls Net Egdon Best Estimate Prospective Resources
- North Somercotes Prospect – 3D defined gas prospect to the north of the Saltfleetby gas field – c.7.26 bcf Net Egdon Prospective Resources

PEDL068 Kirkleatham and Westerdale

(40% Egdon operated interest)

- Located in North Yorkshire and Cleveland in the Cleveland Basin
- Permian age carbonate gas plays
- Kirkleatham producing gas field currently shut-in awaiting decision on side-track
- 2P remaining reserves of 0.22 bcf (Net Egdon)
- Westerdale/Ralph Cross gas discovery in Permian Brotherton formation – Net Egdon Best Estimate Prospective Resources of 3.36 bcf – Planning received for appraisal well likely to be drilled late 2013

PEDL118 Dukes Wood

(50% Egdon operated interest)

- Located in Nottinghamshire in the East Midlands Petroleum Province
- Single well producing field Dukes Wood-1
- Dual completion for water disposal and a hub for further in-fill drilling
- 2P reserves of 18,500 bbls (Net Egdon)
- Production commenced September 2012
- Additional in-field and flank drilling locations being considered

PEDL130 Eakring West

(100% Egdon operated interest)

- Located in Nottinghamshire in the East Midlands Petroleum Province
- Egdon holds 100% of the conventional exploration rights
- Exploration for oil on the flanks of the Eakring-Dukes Wood oil field

PEDL139/PEDL140

(13.5% interest; 10% interest in coal bed methane)

- Located in Nottinghamshire/Lincolnshire in the East Midlands Petroleum Province
- Significant Namurian “Bowland Shale” shale-gas potential identified – exploration well planned – costs carried

- CPR by RPS Energy Limited indicates GIIP of 1.74 tcf (Net Egdon)
- Coal Bed Methane potential within the permit of 16.5 bcf (Net Egdon)

PEDL141 Nooks Farm

(46% Interest)

- Nooks farm-1A gas discovery made by Shell in Staffordshire in 1982
- Operatorship transferred to Seven Star Natural Gas Limited (Alkane Energy plc)
- Revised planning granted in April 2012 to allow for re-abandonment of existing wells which are leaking small amounts of gas prior to side-track of NF-1A well
- Operations commenced during August 2012 and will continue until Q1 2013
- Egdon is carried through this programme
- Net Egdon Best Estimate Contingent Resources of 1 bcf to be developed via electricity generation

PEDL180 Wressle

(33.33% Egdon operated interest)

- Located in Lincolnshire in the East Midlands Petroleum Province
- Located on trend with the Crosby Warren, Broughton-B1 and Brigg-1 oil wells – Net Egdon Best Estimate Prospective Resources of 1.05 mmbls
- 3D seismic programme completed in Q1 2012
- Site identified and agreement reached, planning application to be submitted Q4 2012
- Drilling planned on either Wressle or Broughton Prospects for H1 2013 conditional upon planning

PEDL181 Humber Basin

(25% Egdon interest)

- Located in Lincolnshire and Humberside in the Humber Basin
- Underexplored basin with identified leads requiring additional technical evaluation
- Possible 2D seismic acquisition in 2013

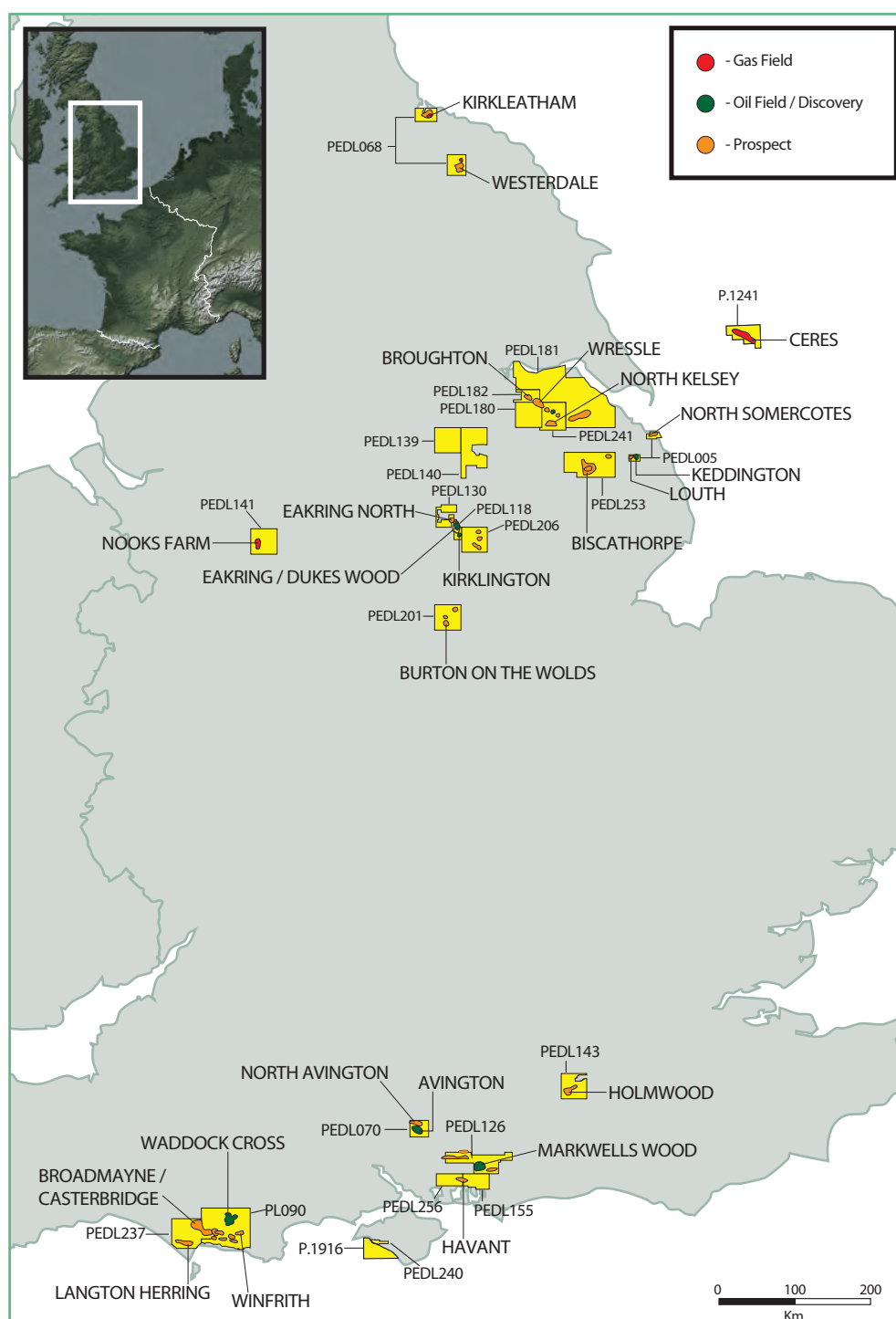
PEDL182 Broughton

(33.33% Egdon operated interest)

- Located in Lincolnshire in the East Midlands Petroleum Province
- Potential identified up-dip of 1984 well which produced at 40 bopd – Net Egdon Best Estimate Prospective Resources of 1.00 mmbos
- 3D seismic programme completed in Q1 2012
- Site identified and agreement reached, planning application to be submitted Q4 2012
- Drilling planned on either Wressle or Broughton Prospects for H1 2013 conditional upon planning

UK Licences in Summary

CONTINUED



Egdon's UK Oil and Gas Licences.

PEDL201 Widmerpool (50% Egdon operated interest)

- Located in Nottinghamshire and Leicestershire in the East Midlands Petroleum Province
- Burton on the Wolds Prospect Net Egdon Prospective Resources 1.35 mmbls

- Partly farmed-out H1 2013 exploration well (subject to planning)
- Site identified and agreement reached, planning application to be submitted Q4 2012

PEDL203 Kirklington**(50% Egdon operated interest)**

- Located in Nottinghamshire in the East Midlands Petroleum Province
- Single well producing field Kirklington-3z c.10 bopd
- Production commenced during September 2012 as part of Dukes Wood/Kirklington production unit

PEDL206 Kelham**(75% Egdon operated interest)**

- Located in Nottinghamshire in the East Midlands Petroleum Province
- Small low risk prospects identified on the flank of abandoned Kelham Hills oil field
- Farm-out agreed – awaiting completion

PEDL241 North Kelsey**(50% Egdon operated interest)**

- Located in Lincolnshire in the East Midlands Petroleum Province
- 3D defined oil prospect with Net Egdon Prospective Resource potential of 3.25 mmbls
- Site identified and agreement reached, planning application to be submitted Q4 2012
- Egdon may look to farm-out interest prior to drilling which is planned for 2013 or 2014

PEDL253 Biscathorpe**(60% Egdon operated interest)**

- Located in Lincolnshire in the East Midlands Petroleum Province
- Oil discovered by BP in 1987 in a thin sand on a large 3D defined regional structure
- Net Egdon Best Estimate Prospective Resources of 8.47 mmbls with stratigraphic trapping
- Egdon may look to farm-out interest prior to drilling which is planned for 2013
- Site identified and agreement reached, planning application to be submitted Q4 2012

P.1241 Block 47/9C Ceres**(10% interest)**

- Located offshore Yorkshire in the Southern Gas Basin
- Lower Permian Leman Sandstone reservoir gas field
- Continued production issues experienced with field related to Methanol injection system
- Pressure depletion observed during 2012 production indicates well is only accessing c.20 bcf of GIIP (2P Net Egdon Reserves of 1.3 bcf)
- Expected production of c.1.0 mmscfd net Egdon during 2012-2013

Southern England**PEDL240 and P.1916 Isle of Wight****(7.5% Egdon interest)**

- Located on the Isle of Wight in the Wessex Basin
- A Jurassic and Triassic prospect has been identified – M prospect

PEDL070 Avington**(26.67% Egdon interest)**

- Located in the Weald Basin of Hampshire
- Avington – Great Oolite (Jurassic) oil field with two producing wells – Net Egdon production of c.17bopd
- Net Egdon 2P reserves of 10,000 bbls with 3P of 70,000 bbls through drilling of additional side-track well

PL090 Waddock Cross**(55% Egdon operated interest)**

- Located in Dorset in the Wessex Basin
- Waddock Cross – Bridport Sandstone (Jurassic) oil discovery with in excess of 30 mmbls in place, 2P reserves of 0.17 mmbls (Net Egdon)
- Planned Phased development of the field with initial production targeted for Q2 2013 conditional upon planning
- Significant Sherwood Sandstone oil prospects at Winfrith (1.74 mmbls Net Egdon Best Estimate Prospective Resources) and elsewhere (see PEDL237)
- 3D seismic acquisition planned for 2013 subject to farm-out

PEDL126 Markwells Wood**(10% interest)**

- Located in West Sussex in the Weald Basin
- Oil discovered in the Great Oolite and tested
- Decision on forward plan later in 2012
- Impairment of £0.80 million made

PEDL237 Weymouth**(55% Egdon operated interest)**

- Located in Dorset in the Wessex Basin
- Significant Sherwood Sandstone Prospects identified – 31.5 mmbls combined Net Egdon Best Estimate Prospective Resources
- Langton Herring Bridport Sandstone Lead – 3 mmbls Net Egdon Best Estimate Prospective Resources – possible bypassed oil pay
- 3D seismic planned for 2013 subject to farm-out

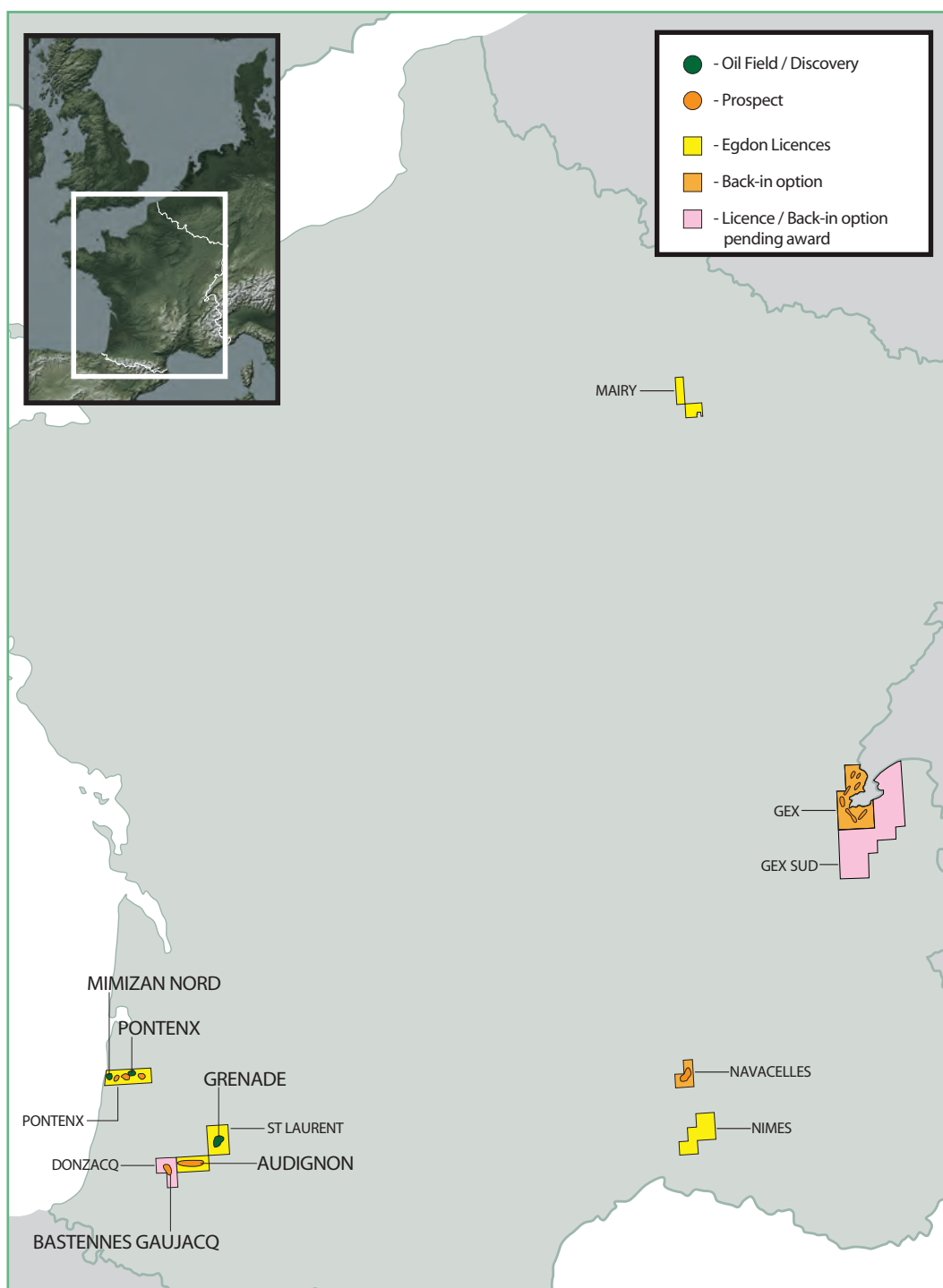
PEDL143 Holmwood**(38.4% interest)**

- Located in Surrey in the Weald Basin
- Holmwood prospect – Jurassic carbonate and sandstone prospect (Net Egdon Best Estimate Prospective Resources of 16.6 bcf)
- Advised in October 2012 that planning appeal was unsuccessful – Legal challenge submitted

PEDL155/256 Havant**(10%/7.5% interest)**

- Located in Hampshire in the Weald Basin
- Havant Great Oolite Prospect – 160,000 bbls Net Egdon Best Estimate Prospective Resources

French Licences in Summary



Egdon's French Oil and Gas Licences.

St Laurent

(33.423% Egdon Operated Interest)

- Located in the Aquitaine Basin of South-West France
- Contains multi-tcf Audignon Gas Prospect (896 bcf Net Egdon Best Estimate Prospective Resources)
- Seismic acquisition planned for 2013
- Contains the Grenade heavy oil accumulation – Net Egdon 2.2 mmbbls Best Estimate Contingent Resources
- Planned farm-out

Pontenx**(40% Egdon Operated Interest)**

- Located in the Parentis Basin of South-West France to the south of the Parentis Oil Field, the largest in France
- Contains the abandoned Mimizan Nord field which produced 3.5 mmbls of 12 degree API oil
- Pontenx oil discovery identified in Cretaceous age carbonate sequences with Net Egdon Prospective Resources of 1 mmbls
- 3D seismic now being planned for Q1 2014
- Application to enter second period submitted

Mairy**(50% interest)**

- Located in the Paris Basin of Northern France
- Contains Liassic oil potential
- Exploration well planned to spud by January 2013
- Planned farm-out at advanced stage

Nimes**(100% Egdon Operated Interest)**

- No material conventional productivity identified
- Decision to relinquish at end of current term in Q4 2012

Donzacq Application**(33.423% Egdon Operated Interest)**

- Located in the Aquitaine Basin of South-West France adjacent to St Laurent – Awaiting award
- Contains the Bastennes-Gaujacq Prospect (c.220 bcf Net Egdon Best Estimate Prospective Resources)

Gex, Navacelles and Gex Sud Application Options**(eCORP operated)**

- Egdon has back-in options of 6% (Gex and Gex Sud Application) and 9% (Navacelles)
- Egdon contracted to undertake exploration work on behalf of eCORP
- Gex contains Triassic and Jurassic conventional reservoir prospects
- Navacelles contains Cretaceous and Jurassic conventional carbonate reservoir prospects
- Gex Sud (Awaiting award) contains Triassic and Jurassic conventional reservoir prospects

Oil and Gas Reserves and Resources Estimates

Class of Reserve/Resource	Proven	Proven + Probable	Proven + Probable + Possible	Units	Field/Prospect Name
Net Oil Reserves	0.15	0.38	0.48	MMstb	Keddington, Avington, Dukes Wood, Kirklington, Waddock Cross phase 1
	Low Estimate	Best Estimate	High Estimate		
Net Oil Contingent Resources	1.10	2.98	5.41	MMstb	Grenade, Waddock Cross phase 2
Net Oil Prospective Resources (conventional)	30.37	81.00	162.08	MMstb	Louth, North Kelsey, Biscathorpe, Pontenx, Casterbridge/Broadmayne and others
Net Oil Prospective Resources (non-conventional)	7.78	20.25	37.46	MMstb	
Total Net Oil Prospective Resources	38.15	101.25	199.54	MMstb	

Class of Reserve/Resource	Proven	Proven + Probable	Proven + Probable + Possible	Units	Field/Prospect Name
Net Gas Reserves	1.43	2.99	5.49	Bscf	Ceres, Kirkleatham, Nooks Farm, Keddington
	Low Estimate	Best Estimate	High Estimate		
Net Gas Contingent Resources	19.09	20.43	22.20	Bscf	Keddington Namurian, PEDL139/140 CBM
Net Gas Prospective Resources (conventional)	342.56	1120.27	2166.34	Bscf	Audignon, North Somercotes, Westerdale and others
Net Gas Prospective Resources (non-conventional)	370.64	557.21	951.95	Bscf	Gainsborough Trough and others
Total Net Prospective Gas Resources	713.20	1677.48	3188.29	Bscf	
Total Contingent and Prospective Resources	161.29	387.21	728.37	Mmboe	

Note: all numbers are Company estimates

Financial Review

KEN RATCLIFF



Results

The Group recorded a loss after tax of £2.89 million for the period (2011: profit of £4.08 million). The 2011 figures included a profit on disposal of £4.34 million related to the sale of Egdon Resources (New Ventures) Limited to eCORP.

Revenue from oil and gas production during the year was up 9.9% to £2.61 million (2011: £2.38 million).

Operating Profit, which is defined as Gross Profit, excluding the cost of exploration write-offs and pre-licence expenditure, less administrative expenses, plus other operating income, was £70,151 (2011: £710,020). This is primarily as a result of a drop in the Gross Profit margin, excluding exploration write-offs and pre-licence costs, to 27% (2011: 49%). The increased costs are due to the investigation of unforeseen issues at the Ceres and Kirkleatham fields. The increased administrative expenses are largely due to the cost of a reserves report due to be completed in November 2012. Other operating income has fallen from £225,553 in 2011 to £126,943 in the current year as a consequence of a lower level of exploration and development activity on Egdon operated licences.

Loss per share for the period was 2.21p (2011: earnings of 3.12p).

Exploration costs written off and pre-licence costs of £3,240,838 (2011: £890,699) include impairments totalling £3,150,000 (2011: £230,000) and write-offs in respect of one relinquished licence totalling £33,668 (2011: £586,063).

During the year, the Group acquired Dorset Exploration Limited for share consideration with a nominal value of £122,324. At the date of acquisition, the fair value of the exploration and evaluation assets of Dorset Exploration Limited was £527,976. At the date of transfer, Dorset Exploration Limited had no other significant assets or liabilities. Negative goodwill of £405,652 was generated on the fair valuation of the acquisition.

During the year the Group sold a 15% interest in PEDL203 containing the Kirklington oil field and PEDL118 containing the Dukes Wood oil field to Nautical Petroleum AG for cash consideration of £200,000. A further £150,000 is payable towards Egdon's share of the costs of the next well to be drilled on either PEDL118 or PEDL203.

Taxation

No taxation charge arises on the result for the year.

Statement of Financial Position

As at 31 July 2012 the Group had Net Assets of £17.42 million (2011: £20.17 million). This comprises the Group's investments in intangible exploration and appraisal assets of £8.28 million (2011: £7.10 million), Property, Plant and Equipment (our producing assets) of £7.92 million (2011: £10.72 million), net current assets of £2.17 million (2011: £3.28 million) and non-current liabilities of £0.95 million (2011: £0.94 million).

The Group currently has debt of £1 million (31 July 2011: £1 million). This attracts interest of 10% per annum and is repayable by 31 January 2013.

Evaluation & Exploration assets

The above sale of an interest in PEDL118 to Nautical Petroleum AG resulted in a credit against the historic costs of the licence of £269,750 and a release of the associated reinstatement provision amounting to £19,750.

Development & Production assets

The above sale of an interest in PEDL203 to Nautical Petroleum AG resulted in the disposal of development and production assets with a net book value of £99,794 and the release of a proportion of the associated decommissioning provision amounting to £21,266 resulting in a profit on disposal of £21,472.

Receivables

Receivables have reduced to £860,406 (2011: £2,258,276). Trade receivables have decreased by £1,158,211 to £446,106 reflecting the lower levels of production immediately prior to the year end.

The decrease of £239,851 in other receivables reflects the receipt of proceeds of £400,000 due in respect of the Avington interest sale and the inclusion of £150,000 deferred consideration due in respect of the sale to Nautical Petroleum AG referred to above.

Payables

Payables have decreased to £2,109,295 (2011: £2,725,717) reflecting low levels of production and licence activity around the year end.

Cash Flow

The Group ended the year with £3.33 million of cash and cash equivalents (2011: £3.69 million). Cash and cash equivalents include restricted cash of £204,648 (2011: £296,027).

In line with last year the Directors do not currently recommend the payment of a dividend.

Key Performance Indicators

The Board considers both financial and non-financial Key Performance Indicators ("KPIs") in measuring the performance of the business as summarised in the table below.

KPIs	y/e 31 July 2012	y/e 31 July 2011	Change
Revenues	£2.61 million	£2.38 million	+9.9% ↑
Total Comprehensive Income (Net (Loss)/Profit)	£(2.89) million	£4.08 million	-170.8% ↓
Net Current Assets	£2.17 million	£3.28 million	-33.8% ↓
Equity	£17.42 million	£20.17 million	-13.6% ↓
Production Volumes	45,656 boe	46,919 boe	-2.7% ↓
No. of Licences	29	29	—
Reserves and Resources (Most Likely)	387 mmboe	255 mmboe	+51.8% ↑
Reportable Health and Safety Incidents	0	0	—

Risk Management

Like all exploration and production businesses 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 below 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. 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. Any of the risks and uncertainties could have a material adverse impact on the business and all are continuously monitored; however, the Board considers and highlights those risks which could have the most significant impact on the Group's business during a specific period and devotes the most attention to mitigating these.

A key risk at all times is related to the operational, financial and reputational risk associated with a Health, Safety or Environmental incident in any of the Group's operations. Egdon employs a full-time HSE Manager and operates using best practice in all of its operations. The Group also maintains appropriate levels of insurance for all of its operations to ensure adequate cover in the case of any incident.

Commodity price fluctuations have an impact on revenues and forward investment decisions as they affect project economics. The Group does not currently hedge any production due to the limited number of producing assets/wells and low level of debt within the Group. We carefully monitor the forward commodity prices and review our projects using a range of commodity prices and continue to keep the use of hedging under review.

As the Group has become involved in field development it has become more exposed to risks associated with project delays and cost overruns. In addition, as production and revenues have increased and the Group's reliance on cash flow for future work programme has increased, the performance of assets has become a more material risk as evident from issues experienced with Kirkleatham and Ceres during the period.

Regulatory uncertainties in both the UK and France in relation to non-conventional plays have had an impact on the business during the period.

Financial Review

CONTINUED

Strategic risk

Ineffective or poorly executed strategy fails to create shareholder value

Risk Category

Mitigation

— 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

Risk Category

Mitigation

— 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 overruns	Main capital expenditure is in drilling operations. Look to farm-out projects where significant risk of cost overrun exists to limit exposure.
— Mispriced 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

Risk Category	Mitigation
— 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 and independent assessment of assets.
— 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

Risk Category	Mitigation
— 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. Consider 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.

Ken Ratcliff

CHAIRMAN OF AUDIT COMMITTEE
2 November 2012

Board of Directors

THE EGDON BOARD OF DIRECTORS HAS WIDE-RANGING EXPERIENCE IN THE OIL AND GAS SECTOR.



Philip Stephens
(Non-Executive Chairman)
Aged 70

Philip is a corporate financier with 38 years of City experience. He is currently Non-Executive Chairman of Neptune-Calculus Income and Growth VCT plc. He is also a

Non-Executive Director of Foresight 4 VCT plc. He was Joint Head of the Corporate Finance Department of stockbrokers Williams de Broë 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.



Mark Abbott
(Managing Director)
Aged 51

Mark 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 MA Exploration Services Limited, Bishopswood Pavilion Limited and a Trustee of the UK Onshore Geophysical Library.



Jerry Field
(Exploration Director)
Aged 57

Jerry has over 30 years' oil industry experience in small-to-medium sized E&P companies (including Weeks Petroleum, Triton, Ranger, Canadian Natural Resources,

Toreador and Northern Petroleum). Jerry has a breadth of experience of exploration in Europe, Africa, the Middle East and the Indian subcontinent and has spent much of his career working in Egdon's core areas of the UK Onshore and France.



Walter Roberts
(Non-Executive Director and Company Secretary)
Aged 61

Walter 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, and an Executive Director of Pinnacle Energy Limited.



Ken Ratcliff
(Non-Executive Director)
Aged 62

Ken 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 former

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.



Andrew Lodge
(Non-Executive Director)
Aged 56

A highly experienced geoscientist and manager. He is Exploration Director of Premier Oil plc. Prior to joining Premier in 2009, Andrew was Vice-President

– Exploration at Hess, where he was responsible for Europe, North Africa, Asia and Australia. Previously, he was Vice President – Exploration, Asset Manager and Group Exploration Advisor for BHP Petroleum. Prior to joining BHP Petroleum, he worked for BP as a geophysicist.

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 2012.

The Board

The Board comprises two Executive Directors and four Non-Executive Directors.

The background and experience of the Directors are relevant to the Group activities and are summarised on page 18 of this report. As such, the Directors are of the opinion that the Board comprises a suitable balance and that the recommendations of the Combined Code have been implemented to an appropriate level.

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 Managing 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.

The Board meets regularly throughout the year and met seven times in the year to 31 July 2012. All meetings were attended by all Directors. In addition, there were four meetings to approve administrative resolutions which were only partly attended although all the Directors had approved the business.

A statement of the Directors' responsibilities in respect of the accounts is set out on page 23.

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

Audit Committee

An Audit Committee has been established and currently comprises Ken Ratcliff (Chairman) and Philip Stephens. 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 senior management. The external auditor has 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 twice in the year to 31 July 2012 with all members present or available at both meetings.

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 Group.

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 Directors 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 met once in the year to 31 July 2012 with all members present.

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 Managing Director has 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.

Corporate Governance Statement

CONTINUED

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 recognized 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.

Bribery Act

The Group has put in place appropriate measures to ensure compliance with the Bribery Act 2010.

Risk

The Directors are responsible for the effectiveness of the Group's risk management activities and internal control process. The Group's approach to risk is described in more detail in the Financial Review section on page 15 to 17.

Directors' Report

The Directors submit their report together with the audited consolidated financial statements of Egdon Resources plc for the year ended 31 July 2012.

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 2012 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, the Financial Review and Corporate Governance Statement on pages 2 to 8, 14 to 17 and 19 to 20.

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 loss after tax of £2.89 million for the period (2011: profit of £4.08 million). The loss for the year is after charging impairments, exploration write-downs and pre-licence costs of £3.24 million (2011: £0.89 million) and negative goodwill recognised on the acquisition of Dorset Exploration Limited of £0.41 million. The 2011 figures included a profit on disposal of £4.34 million related to the sale of some of our French assets.

In line with last year the Directors do not currently recommend the payment of a dividend.

Share capital

At the date of this report 132,192,336 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.

Substantial Shareholders

As of the date of this report the Company had been notified of the following interests of 3% or more in the Company's ordinary share capital:

	% Shares
EnCore Petroleum Limited	15.43
EnCore (NNS) Limited	13.62
Hargreave Hale & Co	9.99
Heyco Energy Holdings SL	5.25
Andrew Hindle	4.12
Investec Wealth & Investment Limited	3.73
Maven Capital Partners UK LLP	3.30

The Company has not been notified of any other person who has an interest in 3% or more in the Company's share capital.

Directors

The Directors of the Company at the date of this report, and their biographical summaries, are given on page 18. Four Directors served throughout the year. John Rix resigned on 8 December 2011, Alan Booth resigned on 9 March 2012. Jerry Field was appointed on 9 December 2011 and Andrew Lodge on 9 March 2012.

The Directors' remuneration is detailed in note 9 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 9.

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

	%	Shares
Mark A W Abbott	5.53	7,238,648
Walter Roberts	0.99	1,091,750
Ken Ratcliff	0.12	156,500
Philip Stephens	0.08	100,000
Jerry Field	—	—
Andrew Lodge	—	—

Charitable and political donations

During the year the Group made various charitable contributions in the UK totalling £1,271 (2011: £76). No donations were made for political purposes (2011: £nil).

Directors' Report

CONTINUED

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 days' trade creditors was 22 (2011: 41) 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 14 employees as at 31 July 2012 (2011: 13). Employees are encouraged to directly participate in the business through a share option scheme. Details of the share option scheme are given in note 10 to the financial statements.

Auditor

A resolution to reappoint the auditor, 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 auditor

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 auditor was 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 auditor was aware of that information.

By order of the Board

Mark A W Abbott

MANAGING DIRECTOR

2 November 2012

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 financial statements, 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 2012 which comprise the Consolidated statement of comprehensive income, the Consolidated and Parent Company statements of financial position, the Consolidated and Parent Company statements of cash flows, the Consolidated and Parent Company statements of changes in equity and the related notes 1 to 34. 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 three 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 auditor

As explained more fully in the Statement of Directors' Responsibilities as set out on page 23, 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 and express an opinion on 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/private.cfm.

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 2012 and of the Group's loss 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 2012

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 JULY 2012

	Notes	2012 £	2011 £
Continuing operations			
Revenue	3	2,614,332	2,379,150
Cost of sales – exploration costs written off, impairments and pre-licence costs		(3,240,838)	(890,699)
Cost of sales – other		(1,907,772)	(1,207,502)
Total cost of sales		(5,148,610)	(2,098,201)
Gross (loss)/profit		(2,534,278)	280,949
Administrative expenses		(763,352)	(687,181)
Other operating income		126,943	225,553
Exceptional item – negative goodwill arising on acquisition	19	405,652	—
Exceptional item – profit on disposal of subsidiary	5	—	4,338,290
Exceptional item – loss on disposal of property, plant and equipment	6	—	(648)
		(2,765,035)	4,156,963
Finance income	12	8,134	41,505
Finance costs	13	(134,245)	(121,858)
(Loss)/profit before taxation	4	(2,891,146)	4,076,610
Taxation	14	—	—
(Loss)/profit for the period		(2,891,146)	4,076,610
Other comprehensive income for the period		—	—
Total comprehensive income for the period attributable to equity holders of the parent		(2,891,146)	4,076,610
Earnings for the period per share			
Basic (loss)/earnings per share	15	(2.21)p	3.12p
Diluted (loss)/earnings per share	15	(2.21)p	3.10p

Consolidated Statement of Financial Position

AS AT 31 JULY 2012

	Notes	2012 £	2011 £
Non-current assets			
Intangible assets	17	8,281,379	7,104,670
Property, plant and equipment	18	7,920,105	10,721,342
Total non-current assets		16,201,484	17,826,012
Current assets			
Inventory	20	32,627	9,796
Trade and other receivables	21	860,406	2,258,276
Available for sale financial assets	22	50,000	50,000
Cash and cash equivalents	23	3,331,312	3,691,175
Total current assets		4,274,345	6,009,247
Current liabilities			
Trade and other payables	24	(2,109,295)	(2,725,717)
Net current assets		2,165,050	3,283,530
Total assets less current liabilities		18,366,534	21,109,542
Non-current liabilities			
Provisions	26	(945,601)	(940,316)
Net assets		17,420,933	20,169,226
Equity			
Share capital	27	13,219,233	13,086,909
Share premium	28	1,375,428	1,374,428
Share based payment reserve		113,101	107,332
Retained earnings		2,713,171	5,600,557
		17,420,933	20,169,226

These financial statements were approved by the Board of Directors and authorised for issue on 2 November 2012.

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 2012

	Notes	2012 £	2011 £
Non-current assets			
Property, plant and equipment	18	8,058	7,400
Investments	19	15,121,930	14,999,606
Total non-current assets		15,129,988	15,007,006
Current assets			
Trade and other receivables	21	104,836	117,078
Cash and cash equivalents	23	2,002,440	2,300,530
Total current assets		2,107,276	2,417,608
Current liabilities			
Trade and other payables	24	(1,445,714)	(1,499,794)
Net current assets		661,562	917,814
Total assets less current liabilities		15,791,550	15,924,820
Non-current liabilities			
Provisions	26	(44,952)	(56,947)
Net assets		15,746,598	15,867,873
Equity			
Share capital	27	13,219,233	13,086,909
Share premium	28	1,375,428	1,374,428
Merger reserve	29	2,357,816	2,357,816
Share based payment reserve		113,101	107,332
Retained earnings – deficit		(1,318,980)	(1,058,612)
		15,746,598	15,867,873

These financial statements were approved by the Board of Directors and authorised for issue on 2 November 2012.

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 2012

	2012 £	2011 £
Cash flows from operating activities		
(Loss)/profit before tax	(2,891,146)	4,076,610
Adjustments for:		
Depreciation and impairment of fixed assets	3,616,321	728,649
Exploration costs written off	33,668	593,705
(Profit)/loss on disposal of property, plant and equipment	(21,472)	648
Negative goodwill arising on acquisition	(405,652)	—
Profit on disposal of subsidiary	—	(4,338,290)
Decrease/(increase) in trade and other receivables	1,147,870	(960,114)
Increase in inventory	(22,831)	(9,796)
(Decrease)/increase in trade payables and other payables	(671,517)	10,524
Movement in provisions	(50,179)	(11,006)
Finance costs	134,245	121,858
Finance income	(8,134)	(41,505)
Share based remuneration charge	9,529	30,351
Cash generated from operations	870,702	201,634
Interest paid	(103,836)	(49,592)
Taxation paid	—	—
Net cash flow generated from operating activities	766,866	152,042
Investing activities		
Finance income	8,134	41,505
Payments for exploration and evaluation assets	(1,755,789)	(3,236,954)
Purchase of property, plant and equipment	(98,653)	(861,531)
Revenues from oil well testing	123,289	—
Sale of subsidiary net of costs incurred	—	4,484,184
Sale of property, plant and equipment	512,110	5,044
Sale of intangible fixed assets	100,000	—
Net cash (used in)/generated from capital expenditure and investing activities	(1,110,909)	432,248
Financing activities		
Issue of shares	11,000	31,260
Proceeds from short-term borrowings	—	1,053,652
Repayment of short-term borrowings	(26,820)	(15,657)
Net cash flow (used in)/generated from financing	(15,820)	1,069,255
Net (decrease)/increase in cash and cash equivalents	(359,863)	1,653,545
Cash and cash equivalents as at 31 July 2011	3,691,175	2,037,630
Cash and cash equivalents as at 31 July 2012	3,331,312	3,691,175

There were no significant non-cash transactions in 2011. In 2012 significant non-cash transactions comprised the issue of equity share capital as consideration for the acquisition of Dorset Exploration Limited.

Company Statement of Cash Flows

FOR THE YEAR ENDED 31 JULY 2012

	2012 £	2011 £
Cash flows from operating activities		
Loss before tax	(264,128)	(256,640)
Adjustments for:		
Depreciation of plant and equipment	5,396	4,089
Decrease/(increase) in trade and other receivables	12,242	(852,143)
Decrease in trade payables	(23,424)	(25,896)
Share based remuneration charge	9,529	30,351
Movement in provision	(11,995)	(11,006)
Finance costs	100,000	87,123
Finance income	(4,182)	—
Cash used in operations	(176,562)	(1,024,122)
Interest paid	(103,836)	(49,592)
Net cash used in operating activities	(280,398)	(1,073,714)
Investing activities		
Finance income	4,182	—
Loan from subsidiaries	—	2,272,871
Purchase of property, plant and equipment	(6,054)	(4,834)
Net cash (used in)/generated from capital expenditure and financial investment	(1,872)	2,268,037
Financing activities		
Issue of shares	11,000	31,260
Proceeds from short-term borrowings	—	1,053,652
Repayment of short-term borrowings	(26,820)	(15,657)
Net cash flow (used in)/generated from financing	(15,820)	1,069,255
Net (decrease)/increase in cash and cash equivalents	(298,090)	2,263,578
Cash and cash equivalents as at 31 July 2011	2,300,530	36,952
Cash and cash equivalents as at 31 July 2012	2,002,440	2,300,530

There were no significant non-cash transactions in 2011. In 2012 significant non-cash transactions comprised the issue of equity share capital as consideration for the acquisition of Dorset Exploration Limited.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 JULY 2012

	Share capital £	Share premium £	Share based payment reserve £	Retained earnings £	Total equity £
Balance at 1 August 2010	13,067,577	1,362,500	84,907	1,516,021	16,031,005
Profit for the year	—	—	—	4,076,610	4,076,610
Total comprehensive income for the year	—	—	—	4,076,610	4,076,610
Transfer of share option charge on exercise	—	—	(7,926)	7,926	—
Issue of ordinary shares (December 2010)	8,200	5,060	—	—	13,260
Issue of ordinary shares (January 2011)	11,132	6,868	—	—	18,000
Share option charge	—	—	30,351	—	30,351
Balance at 31 July 2011	13,086,909	1,374,428	107,332	5,600,557	20,169,226
Loss for the year	—	—	—	(2,891,146)	(2,891,146)
Total comprehensive income for the year	—	—	—	(2,891,146)	(2,891,146)
Transfer of share option charge on exercise	—	—	(3,760)	3,760	—
Issue of ordinary shares (September 2011)	10,000	1,000	—	—	11,000
Share option charge	—	—	9,529	—	9,529
Issue of ordinary shares on Dorset Exploration Limited acquisition	122,324	—	—	—	122,324
Balance at 31 July 2012	13,219,233	1,375,428	113,101	2,713,171	17,420,933

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 JULY 2012

	Share capital £	Merger reserve £	Share premium £	Share based payment reserve £	Retained earnings £	Total equity £
Balance at 1 August 2010	13,067,577	2,357,816	1,362,500	84,907	(809,898)	16,062,902
Loss for the year	—	—	—	—	(256,640)	(256,640)
Total comprehensive income for the year	—	—	—	—	(256,640)	(256,640)
Transfer of share option charge on exercise	—	—	—	(7,926)	7,926	—
Issue of ordinary shares (December 2010)	8,200	—	5,060	—	—	13,260
Issue of ordinary shares (January 2011)	11,132	—	6,868	—	—	18,000
Share option charge	—	—	—	30,351	—	30,351
Balance at 31 July 2011	13,086,909	2,357,816	1,374,428	107,332	(1,058,612)	15,867,873
Loss for the year	—	—	—	—	(264,128)	(264,128)
Total comprehensive income for the year	—	—	—	—	(264,128)	(264,128)
Transfer of share option charge on exercise	—	—	—	(3,760)	3,760	—
Issue of ordinary shares (September 2011)	10,000	—	1,000	—	—	11,000
Share option charge	—	—	—	9,529	—	9,529
Issue of ordinary shares on Dorset Exploration Limited acquisition	122,324	—	—	—	—	122,324
Balance at 31 July 2012	13,219,233	2,357,816	1,375,428	113,101	(1,318,980)	15,746,598

Notes Forming Part of the Financial Statements

FOR THE YEAR ENDED 31 JULY 2012

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 and Company'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 statement of comprehensive income or associated notes are presented for the Company as an entity.

Going concern

The Directors have reviewed the budget, projected cash flows, and 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.

Based on current forecasts of production and revenues, the Group has sufficient funding to undertake its planned work programme and repay its existing debt. 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 adopted IFRS 7 Financial Instruments (revised 2010) and IAS 24 Related Party Disclosures (revised 2009).

The adoption of these standards and interpretation did not have any impact on the financial position or performance of the Group.

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 9 Financial Instruments: Recognition and measurement (revised 2009)
 IFRS 10 Consolidated Financial Statements
 IFRS 11 Joint Arrangements
 IFRS 12 Disclosure of Interests in Other Entities
 IFRS 13 Fair Value Measurements
 IAS 27 Separate Financial Statements (revised 2011)
 IAS 28 Investments in Associates and Joint Ventures (revised 2011)

Notes Forming Part of the Financial Statements

CONTINUED

2. Accounting policies (continued)

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 statement of comprehensive income 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.

Business combinations and goodwill

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income in profit or loss as negative goodwill.

Where the Group incurs obligations to pay a net profit interest as part of an acquisition, the estimated fair value of the net profit interest is recognised at the date of acquisition. Any subsequent variations in the net profit interest arising from events occurring after acquisition are recognised through the statement of comprehensive income in profit or loss. Where the fair value of a net profit interest cannot be established (for example, because the relevant licence has yet to be fully appraised) no provision is recognised.

The value of options and any net profit interests arising on disposal are recognised at their fair value as at the date of disposal, except in circumstances where the fair value cannot be determined.

An acquisition is not classified as a business combination when an acquired entity does not have processes or outputs as defined by IFRS 3 (Revised). Such transactions are accounted for as asset acquisitions and the assets acquired are measured at cost.

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 and gas sales, net of VAT and trade discounts, and is recognised on delivery to third party facilities.

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

2. Accounting policies (continued)

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.

Currently all of the Group's exploration and development activities in respect of the licence interests disclosed in the asset summary on pages 9 to 13 are accounted for as jointly controlled operations, except for those where 100% of the licence is held within the Group.

Intangible assets — 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 cost of sales in the statement of comprehensive income. 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 intangible 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 statement of comprehensive income 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.

As permitted by IFRS 6, on adoption of IFRS, the Group continued to apply the accounting requirements of the Statement of Recommended Practice issued by the UK Oil Industry Accounting Committee as applied under UK GAAP in respect of revenue generated from the sale of oil during the appraisal process and the treatment on disposal of any part of an E&E asset.

Revenue is recorded in the statement of comprehensive income and, in order that no profit is recognised on the sale, a corresponding entry is recorded in cost of sales. The carrying value of E&E assets is reduced by the gross profit generated from the oil sales from an appraisal well.

On disposal of any part of an E&E asset, proceeds are credited against the cost of the asset. No profit is recognised on the disposal, unless the proceeds exceed the capitalised cost.

Intangible assets — other

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

Such assets are considered to have an indefinite useful life and are not subject to amortisation but are tested annually for impairment and elements that have no ongoing commercial value are written off to cost of sales in the statement of comprehensive income.

Impairment of intangible assets

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 cost of sales in the statement of comprehensive income. 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.

Property, plant and equipment — 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.

Notes Forming Part of the Financial Statements

CONTINUED

2. Accounting policies (continued)

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 depreciation 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.

On disposal of any part of a D&P asset, proceeds are credited to cost of sales within the statement of comprehensive income, less the percentage cost relating to the disposal.

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. Additional depletion is included within cost of sales within the statement of comprehensive income if the capitalised costs of the CGU exceed the associated estimated future discounted cash flows of the related commercial oil and gas reserves.

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

Property, plant and equipment other than D&P assets are stated in the statement of financial position 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
Equipment	33% 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 statement of comprehensive income in profit or loss.

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 Group 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 overdrafts where relevant.

2. Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position 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 statement of comprehensive income.

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 using the effective interest method.

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 or 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 de-recognised 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 statement of comprehensive income in profit or loss.

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 reporting 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 statement of comprehensive income 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 reporting 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. 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.

Notes Forming Part of the Financial Statements

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2. Accounting policies (continued)

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 statement of financial position 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.

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 statement of comprehensive income 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 statement of comprehensive income 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 statement of financial position.

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.

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, judgements and estimates are required when:

2. Accounting policies (continued)

- Assessing the need for and measurement of impairment of oil and gas assets (tangible and intangible)
- Capitalising project costs
- Assessing contingent consideration on acquisition
- Determining the fair value of share based payments
- Estimating decommissioning and reinstatement liabilities
- Determining going concern
- Identifying assets and liabilities arising on business combinations and assessing their values

Oil and gas assets

Management is required to assess the oil and gas assets for indicators of impairment. Notes 17 and 18 disclose the carrying value of oil and gas assets. As part of this assessment, management has carried out an impairment test on the assets. This test compares the carrying value of the assets at the reporting 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 discount rates.

Other Intangible fixed 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

Contingent consideration is measured at fair value at the date of the transaction. Changes to the amount of the contingent consideration arising as a result of a post-acquisition event are reflected in profit or loss where the additional consideration is cash or other assets. The amount is not remeasured where the additional consideration is equity.

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 10.

Decommissioning and reinstatement

The Group determines decommissioning and reinstatement liabilities by making assumptions, based on the current economic environment, which management believes 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 incoming financial resources expected to be available depend on estimated production volumes, forecast oil and gas prices and operating costs. Expenditure is primarily dependent on the planned programme of exploration, its estimated cost and timing. The Directors also consider the effect and timing of potential corporate transactions.

Assets and liabilities on business combinations

Management is required to assess the fair value of assets and liabilities acquired on business combinations. As part of this assessment management compares the carrying value at the reporting date with the expected discounted cash flow from any oil and gas assets acquired as set out above.

Notes Forming Part of the Financial Statements

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3. Segmental information

For management purposes, the Group currently operates in two geographical markets: UK and Europe. Whilst the Chairman's Review and Managing Director's Operational Review refer to three core areas of France, Northern England and Southern England, the business is not managed on this basis. Unallocated operating expenses, assets and liabilities relate to the general management, financing and administration of the Group.

The following tables present the profit/(loss) and certain asset and liability information regarding the Group's operating segments for the year ended 31 July 2012 and for the year ended 31 July 2011.

Revenue of the Group for the period has been derived from the sale of oil and gas 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, 73% (2011: 78%) of oil sales in the year were made to one organisation and 27% (2011: 22%) to a second organisation. Gas is a commodity product and can be sold to a number of customers on industry-standard terms. For contractual reasons, 51% of gas sales in the year were made to one organisation (2011: 87%) and 49% (2011: 13%) to a second organisation.

2012

	UK £	Europe £	Unallocated £	Total £
Revenue	2,614,332	—	—	2,614,332
Cost of sales — exploration costs written off and pre-licence costs	(85,954)	(1,208)	(3,676)	(90,838)
Cost of sales — impairments	(3,150,000)	—	—	(3,150,000)
Cost of sales — depreciation	(442,058)	—	—	(442,058)
Cost of sales — other	(1,465,676)	(38)	—	(1,465,714)
Total cost of sales	(5,143,688)	(1,246)	(3,676)	(5,148,610)
Gross loss	(2,529,356)	(1,246)	(3,676)	(2,534,278)
Other administrative expenses	(552,350)	(27,502)	(159,238)	(739,090)
Depreciation	(18,866)	—	(5,396)	(24,262)
Total administrative expenses	(571,216)	(27,502)	(164,634)	(763,352)
Other operating income	119,745	7,198	—	126,943
Exceptional item — negative goodwill arising on acquisition	405,652	—	—	405,652
Total	(2,575,175)	(21,550)	(168,310)	(2,765,035)
Finance income	3,952	—	4,182	8,134
Finance costs	(34,245)	—	(100,000)	(134,245)
Loss before taxation	(2,605,468)	(21,550)	(264,128)	(2,891,146)
Taxation	—	—	—	—
Loss for the period	(2,605,468)	(21,550)	(264,128)	(2,891,146)
Other segment information				
Non-current assets	14,091,493	2,101,933	8,058	16,201,484
Current assets	2,137,715	56,854	2,079,776	4,274,345
Current liabilities	(930,641)	(32,759)	(1,145,895)	(2,109,295)
Non-current liabilities	(828,521)	(72,128)	(44,952)	(945,601)
Net assets	14,470,046	2,053,900	896,987	17,420,933
Capital expenditure				
Intangible exploration and evaluation assets	1,419,152	455,363	—	1,874,515
Intangible assets acquired with Dorset Exploration Limited	527,976	—	—	527,976
Property, plant and equipment				
— oil and gas assets	109,642	—	—	109,642
— other	12,217	—	6,054	18,271
	2,068,987	455,363	6,054	2,530,404

3. Segmental information (continued)

2011

	UK £	Europe £	Unallocated £	Total £
Revenue	2,379,150	—	—	2,379,150
Cost of sales — exploration costs written off and pre-licence costs	(642,385)	(18,314)	—	(660,699)
Cost of sales — impairments	(230,000)	—	—	(230,000)
Cost of sales — depreciation	(491,258)	—	—	(491,258)
Cost of sales — other	(715,712)	(532)	—	(716,244)
Total cost of sales	(2,079,355)	(18,846)	—	(2,098,201)
Gross profit/(loss)	299,795	(18,846)	—	280,949
Other administrative expenses	(477,112)	(37,250)	(165,428)	(679,790)
Depreciation	—	—	(7,391)	(7,391)
Total administrative expenses	(477,112)	(37,250)	(172,819)	(687,181)
Other operating income	223,843	1,710	—	225,553
Exceptional item — profit on disposal of subsidiary	—	4,338,290	—	4,338,290
Exceptional item — loss on property, plant and equipment	(648)	—	—	(648)
	45,878	4,283,904	(172,819)	4,156,963
Finance income	—	—	41,505	41,505
Finance costs	(33,153)	(1,582)	(87,123)	(121,858)
Profit/(loss) before taxation	12,725	4,282,322	(218,437)	4,076,610
Taxation	—	—	—	—
Profit/(loss) for the period	12,725	4,282,322	(218,437)	4,076,610
Other segment information				
Non-current assets	16,171,293	1,647,319	7,400	17,826,012
Current assets	5,911,170	29,335	68,742	6,009,247
Current liabilities	(1,254,474)	(340,702)	(1,130,541)	(2,725,717)
Non-current liabilities	(814,675)	(68,694)	(56,947)	(940,316)
Net assets/(liabilities)	20,013,314	1,267,258	(1,111,346)	20,169,226
Capital expenditure				
Intangible exploration and evaluation assets	2,787,735	488,243	—	3,275,978
Property, plant and equipment				
— oil and gas assets	842,744	—	—	842,744
— other	17,170	—	4,834	22,004
	3,647,649	488,243	4,834	4,140,726

Notes Forming Part of the Financial Statements

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4. (Loss)/profit before taxation

The (loss)/profit for the year before taxation is stated after charging/(crediting):

	2012 £	2011 £
Auditor's remuneration (see note 7)	50,768	42,063
Depreciation	466,321	498,649
Impairments	3,150,000	230,000
Exploration and appraisal costs written off	33,668	593,705
Pre-licence costs expensed	57,170	66,994
Profit on disposal of property, plant and equipment	(21,472)	—
Foreign exchange (gains)/losses	(30,341)	32,157
Share based payment charge	9,529	30,351
Operating lease rentals		
— land and buildings (in administrative expenses)	25,000	25,000
— leases on operational sites included within cost of sales	24,336	35,444

During the period the Company sold a 15% interest in PEDL203 containing the Kirklington oil field to Nautical Petroleum AG for cash consideration of £100,000. At the date of the sale 15% of the net book value of this asset amounted to £99,794. After adjusting for 15% of the associated decommissioning provision, the transaction gave rise to a profit on disposal of £21,472.

In the same transaction, a 15% interest in PEDL118 containing the Eakring Dukes Wood oil field was also sold to Nautical Petroleum AG for cash consideration of £100,000. A further £150,000 is payable towards Egdon's share of the costs for the next well to be drilled on either PEDL118 or PEDL203.

5. Exceptional item — prior period profit on disposal of subsidiary

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 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 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. At present the fair value of these options cannot be determined and has therefore not been included in calculating the profit on disposal.

On a consolidated basis, the value of ERNV's net assets at the date of completion was £12,477 attributable to the permit interests detailed above. Incidental costs incurred on the sale totalled £149,233. This resulted in the gain on sale of subsidiary of £4.34 million in 2011.

6. Exceptional item — prior period (loss)/profit on disposal of property, plant and equipment

During the prior year the Group sold a 5% interest in PEDL070 containing the Avington oil field to IS E&P Limited for a cash consideration of £200,000. At the date of sale, 5% of the net book value of this asset amounted to £214,217. As part of the sale agreement, IS E&P Limited became liable for 5% of the outstanding Net Profit Interest agreement and as such the net book value at the date of sale was reduced by £11,371 giving rise to a loss on disposal of £2,846. During the year the Group also sold a further 5% interest in PEDL070 containing the Avington oil field to IS NV Limited. The sale was based on the same conditions detailed above and also gave rise to a loss on disposal of £2,846. During the course of the year, the Group also sold sundry plant and equipment giving rise to a profit on disposal of £5,044.

7. Auditor's remuneration

	2012 £	2011 £
Audit services:		
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	10,000	9,200
Other services:		
The auditing of financial statements of subsidiaries of the Company pursuant to legislation	36,600	27,613
All other services	4,168	5,250
Total audit and other services	50,768	42,063

8. Employee information

	2012 Number	2011 Number
The average number of persons employed by the Group in the year, including Executive and Non-Executive Directors, was:		
Management and administration	14	12

	2012 £	2011 £
Employee costs during the year amounted to:		
Wages and salaries	652,749	519,386
Social security costs	79,426	61,541
Share based remuneration charges	9,529	30,351
Pension costs	19,317	15,008
	761,021	626,286

9. Remuneration of Directors and key management

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

	2012 £	2011 £
Group and company		
Directors' emoluments	326,500	277,301
Employer's national insurance contributions	36,694	28,518
Short-term employment benefits	363,194	305,819
Post-employment benefits	11,500	6,875
Share based remuneration charge attributable to Directors	5,274	—
	379,968	312,694

The emoluments and compensation of individual Directors were as follows:

	Salary and fees £	Bonus £	Medical £	Insurance benefits £	Pension (note 11) £	Total 2012 £	Total 2011 £
M A W Abbott	150,000	—	2,961	1,678	7,500	162,139	167,494
P H P Stephens	37,500	—	—	1,678	—	39,178	38,524
K M Ratcliff	22,500	—	—	1,678	—	24,178	23,524
J G R Rix (resigned 8.12.2011)	6,250	—	—	700	—	6,950	16,024
W R Roberts	15,000	—	—	1,678	—	16,678	16,024
A Booth (resigned 9.3.2012)	9,154	—	—	1,119	—	10,273	14,701
J Field (appointed 9.12.2011)	80,000	—	3,238	979	4,000	88,217	—
A Lodge (appointed 9.3.2012)	6,096	—	—	560	—	6,656	—
A D Hindle (resigned 1.2.2011)	—	—	—	—	—	—	7,885
	326,500	—	6,199	10,070	11,500	354,269	284,176

Notes Forming Part of the Financial Statements

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9. Remuneration of Directors and key management (continued)

The emoluments of the highest paid Director excluding pension contributions and insurance benefits were £152,961 (2011: £160,619).

Life policy and critical illness premiums of £7,347 (2011: £7,198) were paid in respect of the Managing Director and Directors' indemnity insurance premiums of £10,070 (2010: £6,455) were paid in respect of all Directors.

Directors' share options outstanding at 31 July 2012 and at 31 July 2011

	Exercise price	Number of options	Date granted	First date of exercise
M A W Abbott	16.17p	618,429	13/05/2008	01/08/2010
J Field	20.08p	298,804	01/02/2011	01/08/2013
J Field	12.42p	483,091	21/12/2011	01/01/2014

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. Options were granted to the Directors in the year to 31 July 2012 as detailed below.

10. 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.

The following share based payment arrangements were in existence during the current and prior years:

	Number	Grant date	Expiry date	Exercise price	Vesting date
Granted on 13 May 2008	1,631,908	13/05/2008	31/03/2018	16.17p	01/08/2010
Granted on 1 September 2009	1,470,724	01/09/2009	31/03/2019	11.00p	01/09/2011
Granted on 1 February 2011	298,804	01/02/2011	31/07/2021	20.08p	01/08/2013
Granted on 21 December 2011	483,091	21/12/2011	31/12/2022	12.42p	01/01/2014

The exercise price is determined as the average middle-market closing price on the three days preceding the grant. The options do not have a cash settlement alternative. Options vest for all grantees that remain in service at the vesting date.

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 into the model.

The expected volatility in respect of the December 2011 options is based on the assumption that the historic volatility of Egdon Resources plc is indicative of future trends for Egdon Resources plc, which may not necessarily be the actual outcome. The expected volatility in respect of previous option issues 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.

	13/05/2008	01/09/2009	01/02/2011	21/12/2011
Grant date share price (pence)	16.17	11.00	20.08	12.42
Exercise price (pence)	16.17	11.00	20.08	12.42
Expected volatility (%)	35	35	35	14
Option life (years)	2	2	2.5	3.5
Risk free interest rate (%)	5.5	5.5	0.5	0.35

The following table illustrates the number and weighted average exercise prices (WAEP) of and movement in share options during the year

Company and Group	2012 No.	2012 WAEP	2011 No.	2011 WAEP
Opening balance	3,031,864	14.05	2,926,380	13.57
Granted during the year	483,091	12.42	298,804	20.08
Forfeited during the year	—	—	—	—
Exercised during the year	(100,000)	11.00	(193,320)	16.17
Outstanding at 31 July 2012	3,414,955	13.91	3,031,864	14.05

10. Share based payment plans (continued)

The following share options were exercised during the year:

	Number exercised	Exercise date	Share price at date of exercise (pence)
01/09/2011	100,000	07/09/2011	12.25

The weighted average remaining contractual life of share options outstanding as at 31 July 2012 is 7.1 years (2011: 7.5 years). At 31 July 2012 2,633,060 (2011: 1,262,336) of the total number of share options outstanding could be exercised and these options had a weighted average exercise price of 13.48 pence (2011: 16.17 pence).

11. 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 £19,317 (2011: £15,008) represents the sum payable to the scheme by the Group at rates agreed in respect of participating employees.

12. Finance income

	2012 £	2011 £
Interest receivable on short-term deposits	8,134	41,505

13. Finance costs

	2012 £	2011 £
Unwinding of decommissioning discount	34,245	34,735
Interest payable on loan from EnCore Oil Limited	100,000	87,123
	134,245	121,858

14. Income tax

The major components of income tax expense for the years ended 31 July 2012 and 2011 are:

	2012 £	2011 £
a) Recognised in profit or loss		
Current income tax charge	—	—
b) A reconciliation between tax expense and the product of the accounting (loss)/profit and the standard rate of tax in the UK for the years ended 31 July 2012 and 2011 is as follows:		
Accounting (loss)/profit before tax from continuing operations	(2,891,146)	4,076,610
(Loss)/profit on ordinary activities multiplied by the standard rate of tax of 25.33% (2011: 27.33%)	(732,327)	1,114,138
Expenses not permitted for tax purposes	55,467	18,898
Credit not subject to tax — negative goodwill arising on acquisition	(102,752)	—
Profit on sale of subsidiary not taxable	—	(1,185,654)
Movement in unrecognised deferred tax assets	779,612	52,618
Income tax expense recognised in the current-year relating to continuing operations	—	—

c) Factors that may affect the future tax charge

The Group has trading losses of £27,241,855 (2011: £25,522,053) 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 attract a higher rate of tax.

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14. Income tax (continued)

d) Deferred taxation

The Group has an unrecognised deferred taxation asset of £3,435,686 (2011: £2,766,111) at the year end, calculated at a rate of 25.33%. This is represented by accumulated tax losses of £27,241,855 (2011: £25,522,053) offset by accelerated capital allowances of £13,678,152 (2011: £15,400,900).

15. Earnings per share

	2012 £	2011 £
(Loss)/profit for the financial year	(2,891,146)	4,076,610
Basic weighted average ordinary shares in issue during the year	130,965,660	130,786,388

	Pence	Pence
Basic (loss)/earnings per share	(2.21)	3.12

Diluted earnings per share

	2012 £	2011 £
(Loss)/profit for the financial year	(2,891,146)	4,076,610
Diluted weighted average ordinary shares in issue during the year	130,965,660	131,349,668

	Pence	Pence
Diluted (loss)/earnings per share	(2.21)	3.10

For 2012, the share options are not dilutive as a loss was incurred. For 2011, a calculation was done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The diluted weighted average ordinary shares in issue during the year was calculated from the basic weighted average ordinary shares in issue during the year, adjusted to reflect the potential dilution assuming the exercise of the options.

16. Losses attributable to Egdon Resources plc

The loss for the financial year dealt with in the financial statements of Egdon Resources plc was £264,128 (2011: £256,640). As permitted by Section 408 of the Companies Act 2006, no statement of comprehensive income is presented in respect of Egdon Resources plc.

17. Intangible fixed assets

Group	Goodwill £	Exploration and evaluation costs £	Other intangibles £	Total £
At 1 August 2010	2,856	7,021,293	11,240	7,035,389
Additions	—	3,275,978	—	3,275,978
Reclassifications to D&P assets	—	(2,610,136)	—	(2,610,136)
Disposals	(2,856)	—	—	(2,856)
Exploration written off	—	(593,705)	—	(593,705)
Transfers	—	(102,069)	102,069	—
At 1 August 2011	—	6,991,361	113,309	7,104,670
Arising on acquisition (note 19)	—	527,976	—	527,976
Additions	—	1,874,095	420	1,874,515
Reclassifications from D&P assets	—	925	—	925
Disposals	—	(269,750)	—	(269,750)
Exploration written off	—	(33,668)	—	(33,668)
Impairment charge	—	(800,000)	—	(800,000)
Gross margin on oil sales from well testing	—	(123,289)	—	(123,289)
At 31 July 2012	—	8,167,650	113,729	8,281,379
Amortisation				
At 1 August 2010	2,856	—	—	2,856
Disposals	(2,856)	—	—	(2,856)
At 1 August 2011	—	—	—	—
Disposals	—	—	—	—
At 31 July 2012	—	—	—	—
Net book value				
At 31 July 2012	—	8,167,650	113,729	8,281,379
At 31 July 2011	—	6,991,361	113,309	7,104,670
At 31 July 2010	—	7,021,293	11,240	7,032,533

Goodwill related to the acquisition of shares in Egdon Resources (New Ventures) Ltd. On the disposal of Egdon Resources (New Ventures) Ltd this goodwill has been removed.

The Group's unevaluated oil and gas interests at 31 July 2012 are its equity interests in licences in the UK and France held through its wholly owned subsidiaries Egdon Resources U.K. Limited, Egdon Resources Avington Ltd and Dorset Exploration Limited and through its indirect subsidiaries Egdon Resources Europe Limited, Egdon Resources France Limited, Aquitaine Exploration Limited and Egdon (E&P) Limited. Additions to exploration and evaluation costs represent exploration and appraisal costs incurred in the year in respect of unproven properties.

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 with the exception of Markwells Wood as set out below, that the likely value of the expenditure on each exploration area is individually in excess of its carrying amount. The amount described as exploration written off, which relates to dry wells and relinquished licences, has been charged to the consolidated statement of comprehensive income and included within "Cost of sales – exploration costs written off, impairments and pre-licence costs".

The impairment charge of £800,000 relates to the Markwells Wood field (PEDL126). The charge is included within "Cost of sales exploration costs written off, impairments and pre-licence costs" in the consolidated statement of comprehensive income. The field is in the UK market for segmental reporting. The impairment charge has been recognised as the outcome of the extended well test has cast doubt on the commercial viability of the asset.

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17. Intangible fixed assets (continued)

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.

18. Property, plant and equipment

Group	Development and production assets £	Equipment, fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 August 2010	9,013,757	4,686	57,973	9,076,416
Additions	842,744	—	22,004	864,748
Disposals	(571,635)	—	—	(571,635)
Reclassifications from intangible assets	2,610,136	—	—	2,610,136
At 1 August 2011	11,895,002	4,686	79,977	11,979,665
Additions	109,642	—	18,271	127,913
Disposals	(116,756)	—	—	(116,756)
Reclassifications to intangible assets	(925)	—	—	(925)
Transfers	(56,998)	56,998	—	—
At 31 July 2012	11,829,965	61,684	98,248	11,989,897
Depreciation				
At 1 August 2010	598,489	4,686	50,878	654,053
Charge for the year	491,258	—	7,391	498,649
Impairment charge	230,000	—	—	230,000
Disposals	(124,379)	—	—	(124,379)
At 1 August 2011	1,195,368	4,686	58,269	1,258,323
Charge for the year	442,059	9,500	14,762	466,321
Impairment charge	2,350,000	—	—	2,350,000
Disposals	(4,852)	—	—	(4,852)
At 31 July 2012	3,982,575	14,186	73,031	4,069,792
Net book value				
At 31 July 2012	7,847,390	47,498	25,217	7,920,105
At 31 July 2011	10,699,634	—	21,708	10,721,342
At 31 July 2010	8,415,268	—	7,095	8,422,363

The depreciation charge for the year includes impairment charges in respect of the Kirkleatham (£1,600,000) and Ceres (£750,000) fields. A charge of £1,000,000 in respect of Kirkleatham was recognised in the interim report to 31 January 2012. After further analysis of the likely recoverable reserves, a further £600,000 was recognised in the six months to 31 July 2012. These charges are included within Cost of sales — exploration costs written off, impairments and pre-licence costs in the consolidated statement of comprehensive income. Both fields are within the UK market for segmental reporting.

The recoverable amounts are based on value in use assessed from forecast production over the life of the fields, gas price per therm of 55p–60p and a discount rate of 8%.

In both cases, the impairment charges have arisen as a consequence of production issues that have impacted on production and revenue expectations. As a result of recognising the impairment provision there will be a corresponding reduction in future depreciation charges.

The depreciation charge for 2011 included an impairment charge in respect of the Avington (£130,000) and Kirklington (£100,000) fields. The recoverable amount was based on value in use assessed from forecast production, oil price of \$100–\$109 and a discount rate of 8%.

18. Property, plant and equipment (continued)

Company	Computer equipment £
Cost	
At 1 August 2010	10,617
Additions	4,834
At 1 August 2011	15,451
Additions	6,054
At 31 July 2012	21,505
Depreciation	
At 1 August 2010	3,962
Charge for the year	4,089
At 1 August 2011	8,051
Charge for the year	5,396
At 31 July 2012	13,447
Net book value	
At 31 July 2012	8,058
At 31 July 2011	7,400
At 31 July 2010	6,655

19. Investments in subsidiaries

	Shares in subsidiary undertakings £	Loans to subsidiary undertakings £	Total £
Balance at 31 July 2010	9,964,782	5,034,824	14,999,606
Additions in year	—	—	—
Balance at 31 July 2011	9,964,782	5,034,824	14,999,606
Additions in year	122,324	—	122,324
Balance at 31 July 2012	10,087,106	5,034,824	15,121,930

The shares in subsidiary undertakings represents the investment in Egdon Resources U.K. Limited, Egdon Resources Avington Ltd and Dorset Exploration Limited. The loan represents the value of licence 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 Europe Limited	England	Ordinary	100
Egdon Resources Avington Ltd	England	Ordinary	100
Egdon Resources France Limited	England	Ordinary	100
Aquitaine Exploration Limited	England	Ordinary	100
Egdon (E&P) Limited	England	Ordinary	100
Dorset Exploration Limited	England	Ordinary	100

All of these companies are involved in oil and gas exploration and production.

Acquisition in the year

On 31 July 2012 Egdon Resources plc completed the acquisition of Dorset Exploration Limited. The company, which holds interests in PL090 and PEDL237, was acquired in the period for consideration of Egdon shares with a fair value of £122,324. The Group acquired the business to increase its exposure to the licence acquired.

Notes Forming Part of the Financial Statements

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19. Investments in subsidiaries (continued)

The fair value of the assets and liabilities acquired is listed below:

	Book value	Fair value adjustment	Fair value
Intangible assets	512,818	35,042	547,860
Decommissioning provision	—	(19,884)	(19,884)
Total net assets acquired	512,818	15,158	527,976
Excess of net assets acquired over cost ("negative goodwill")			405,652
Purchase consideration			122,324
Satisfied by:			
Ordinary £0.10 shares of Egdon Resources plc			122,324

Negative goodwill arising on acquisition of subsidiary represents the excess of the fair values of the assets less the liabilities acquired over the consideration following the acquisition of the 100% interest in Dorset Exploration Limited. The negative goodwill arises following the purchase of Dorset Exploration Limited in an off-market transaction offered to the Group for reasons personal to the vendor.

The consideration for the acquisition was the issue of 1,223,242 ordinary shares in Egdon Resources plc. The nominal value of each share is 10p which management considers is equivalent to fair value. This has been used to determine the value of £122,324 ascribed to share issue in the table above.

Included in the revenue and loss for the year are £7,927 and £7,392 respectively in respect of the acquisition.

Had the business combination been effected on 1 August 2011, the revenue of the Group from continuing operations would have been £2,626,485 and the loss from continuing operations £2,889,497.

20. Inventory

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Oil stock	32,627	9,796	—	—

21. Trade and other receivables

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Amounts falling due within 1 year				
Trade receivables	446,106	1,604,317	—	—
Amounts owed by subsidiaries	—	—	27,500	75,995
VAT recoverable	85,492	58,069	38,470	5,281
Other receivables	263,319	503,170	—	—
Prepayments and accrued income	65,489	92,720	38,866	35,802
	860,406	2,258,276	104,836	117,078

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

Trade and other receivables represent amounts due from customers for the Company's oil and gas products, balances due from joint venture partners regulated by signed operator agreements, or receipts in respect of asset sales.

As at 31 July 2012 no trade receivables were considered to be impaired (2011: £nil).

21. Trade and other receivables (continued)

As at 31 July 2012 trade receivables of £117,583 (2011: £81,896) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2012	2011
Up to 3 months past due	8,286	41,214
3-6 months past due	17,589	4,939
Over 6 months past due	91,708	35,743
	117,583	81,896

Other receivables do not contain impaired assets.

22. Available for sale financial assets

	Group 2012 £	Group 2011 £
At 1 August 2011	50,000	50,000
Additions	—	—
At 31 July 2012	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.

23. Cash and cash equivalents

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Short-term bank deposits	2,906,313	2,997,063	2,004,182	2,272,871
Restricted cash at bank	204,648	296,027	—	—
Cash at bank	220,351	398,085	(1,742)	27,659
	3,331,312	3,691,175	2,002,440	2,300,530

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.

24. Trade and other payables

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Trade payables	404,033	1,060,679	68,469	4,401
Amounts due to subsidiaries	—	—	299,820	369,253
Other taxes and social security costs	—	22,170	—	22,169
Other payables	1,017,329	1,039,367	1,011,175	1,039,253
Accruals and deferred income	687,933	603,501	66,250	64,718
	2,109,295	2,725,717	1,445,714	1,499,794

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

Other payables includes £1,000,000 (2011: £1,000,000) due to EnCore Oil Limited for a loan which was provided as part of the purchase of assets from EnCore Oil plc during 2010. The loan attracts interest at the higher of 10% or LIBOR plus 5%. The loan, which was extended in the year, is now repayable on 28 January 2013 (2011: 28 July 2012).

Also included in other payables is £11,175 (2011: £37,995) due to The Carbon Trust. This loan is repayable via monthly instalments of £2,235. This loan is provided on an interest free basis.

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25. Financial assets and liabilities

The Group's objective is to minimise financial risk. The policies to achieve this are to fund operations from equity capital, and in the case of certain projects from debt 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. The Group is not subject to any externally imposed capital requirements.

The Group's financial instruments comprise cash and cash equivalents, trade payables, the EnCore Oil Limited loan, 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 £3,331,312 (2011: £3,691,175) and the Company £2,002,440 (2011: £2,300,530). The balances at 31 July 2012 are held with two banks. Trade receivables comprise amounts due from trading entities and total £446,106 (2011: £1,604,317) for the Group and £nil (2011: £nil) for the Company (note 21). Trade receivables are mainly due from joint venture partners and the purchasers of the Group's produced oil and gas. For joint venture partners, the Group would have alternative means of recourse in the event of any credit default. The purchasers of the Group's oil and gas production are substantial companies or subsidiaries of major international companies. At the year end, the total exposure to credit risk was £4,090,737 (2011: £5,848,662); Company £2,002,440 (2011: £2,300,530).

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 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 £2,109,295 (2011: £2,725,717). Of this balance, £610,773 (2011: £1,690,820) is due within 1-2 months and £1,000,000 due to EnCore Oil Limited is due within six months. Additionally, the Group has a liability under a Net Profit Interest agreement where £7,701 (2011: £12,101) 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 and interest bearing liabilities in the form of loans. 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:

	2012 £	2011 £
Cash at bank at floating interest rates	2,906,313	2,997,063
Restricted cash at bank	204,648	296,027
Cash at bank	220,351	398,085

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 £33,313 (2011: £36,912).

The Group has interest bearing liabilities as disclosed in note 24. No sensitivity analysis is provided as the probability of LIBOR plus 5% exceeding 10% before the loan is repaid is remote.

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 2012 was £657,926 (2011: £416,195); Company £nil (2011: £nil).

A 10% change in the sterling exchange rate would result in an increase or decrease of £65,793 (2011: £41,620) in profit before tax.

25. Financial assets and liabilities (continued)

Market risk

Payments to the former shareholder of Egdon Resources Avington Ltd 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 2012 assumes that the oil price will 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 2010	90,695	502,526	322,689	915,910
Provision (released)/created during the year	—	(55,847)	98,089	42,242
Paid during the year	(11,006)	—	—	(11,006)
Disposals in the year	(22,742)	(18,823)	—	(41,565)
Transfer of provision on reclassification to D&P assets	—	121,553	(121,553)	—
Unwinding of discount	—	21,124	13,611	34,735
At 1 August 2011	56,947	570,533	312,836	940,316
Provision created/(released) during the year	—	29,260	(5,209)	24,051
Paid during the year	(11,995)	—	—	(11,995)
Disposals in the year	—	(21,266)	(19,750)	(41,016)
Unwinding of discount	—	28,634	5,611	34,245
At 31 July 2012	44,952	607,161	293,488	945,601

Company	Other provisions £	Decommissioning provision £	Reinstatement provision £	Total £
At 1 August 2010	90,695	—	—	90,695
Paid during the year	(11,006)	—	—	(11,006)
Disposals in the year	(22,742)	—	—	(22,742)
At 1 August 2011	56,947	—	—	56,947
Paid during the year	(11,995)	—	—	(11,995)
At 31 July 2012	44,952	—	—	44,952

At 31 July 2012 provision has been made for decommissioning costs on the productive fields at Keddington, Kirkleatham, Ceres, 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 believes 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. 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. Decommissioning and reinstatement costs are expected to arise between 2013 and 2021.

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26. Provision for liabilities (continued)

Other provisions represent the amount expected to be payable to the former shareholder of Egdon Resources Avington Ltd under the Net Profit Interest agreement entered into at the time of acquisition. Of the total provision, £7,701 (2011: £12,101) is estimated to be payable within one year.

27. Share capital and redeemable preference shares

	Allotted, called up and fully paid	
	Number	£
Ordinary share capital		
At 31 July 2010	130,675,774	13,067,577
— Issue of new £0.10 ordinary shares	193,320	19,332
At 31 July 2011	130,869,094	13,086,909
— Issue of new £0.10 ordinary shares	1,323,242	132,324
At 31 July 2012	132,192,336	13,219,233

	Allotted, called up and partly paid	
	Number	£
Redeemable preference shares of £1 each (classified as liabilities)		
At 31 July 2011	50,000	12,500
At 31 July 2012	50,000	12,500

On 21 December 2010, 82,003 10p ordinary shares were issued to staff under the Company's Enterprise Management Incentive Scheme for a cash consideration of £13,260. Following this 130,757,777 ordinary shares were in issue.

On 25 January 2011, 111,317 10p ordinary shares were issued to staff under the Company's Enterprise Management Incentive Scheme for a cash consideration of £18,000. Following this 130,869,094 Ordinary shares were in issue.

On 7 September 2011, 100,000 10p ordinary shares were issued to staff under the Company's Enterprise Management Incentive Scheme for a cash consideration of £11,000. Following this 130,969,094 ordinary shares were in issue.

On 30 July 2012, 1,223,242 10p ordinary shares were issued at their nominal value as consideration for the acquisition of Dorset Exploration Limited. Following this 132,192,336 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, 2012 100,000 ordinary shares of 10p were issued for cash consideration of £11,000 creating additional share premium of £1,000. This resulted in a closing share premium reserve carried forward of £1,375,428 (2011: £1,374,428).

29. Merger reserve

Company

The merger reserve arose on the de-merger of the Egdon Resources Group of companies from InfraStrata plc (formerly Portland Gas plc) and represented the difference between the market value of the shares issued on the date of the de-merger 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 de-merger effected by a Court Order.

30. Movements in cash and cash equivalents

	As at 31 July 2011 £	Cash flow £	As at 31 July 2012 £
Group			
Cash at bank and in hand	398,085	(177,734)	220,351
Term deposits	2,997,063	(90,750)	2,906,313
Restricted cash at bank	296,027	(91,379)	204,648
Cash and cash equivalents as per statement of financial position	3,691,175	(359,863)	3,331,312
	As at 31 July 2011 £	Cash flow £	As at 31 July 2012 £
Company			
Cash at bank and in hand	27,659	(29,401)	(1,742)
Term deposits	2,272,871	(268,689)	2,004,182
Cash and cash equivalents	2,300,530	(298,090)	2,002,440

31. Obligations under leases

At 31 July 2012 the Group had future minimum commitments under non-cancellable operating leases as follows:

	2012 £	2011 £
Within 1 year		
— Land and buildings	18,750	25,000
— Leases on operational and exploration and evaluation sites	64,643	69,203
From 1 to 5 years	—	18,750
	83,393	112,953

Included within leases on operational and exploration and evaluation sites is £17,458 which is expected to be capitalised.

32. Capital commitments — tangible and intangible assets

Capital commitments of £nil (2011: £605,458) 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 2012.

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 2012 Pinnacle Energy Limited invoiced the Group £60,730 (2011: £113,565) for legal and consultancy services provided at commercial rates and agreed by the Directors of the Company. At the year end £11,915 was owing to Pinnacle Energy Limited (2011: £1,321).

Until 8 December 2011 Mr John Rix was a Non-Executive Director of Egdon Resources plc. He was also a 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 period to 8 December 2011 Egdon invoiced Dorset Exploration Limited and Yorkshire Exploration Limited £36,942 (2011: £29,955) and £27,042 (2011: £323,173) respectively by way of cost-recovery. At 31 July 2012 £nil (2011: £22,517) was due from Dorset Exploration Limited and £nil (2011: £17,508) was due from Yorkshire Exploration Limited in respect of these transactions.

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CONTINUED

33. Related party transactions (continued)

Also during the period to 8 December 2011 Yorkshire Exploration Limited invoiced Egdon Resources U.K. Limited £43,061 (2011: £88,998) relating to their proportion of gas sales from the Kirkleatham licence on which Egdon Resources U.K. Limited is the operator. At 31 July 2012 £nil (2011: £63,881) was due to Yorkshire Exploration Limited.

Also during the period to 8 December 2011 Dorset Exploration Limited invoiced Egdon Resources U.K. Limited £16,975 (year to 31 July 2011: £nil) relating to their proportion of oil sales from the Waddock Cross licence on which Egdon Resources U.K. Limited is the operator. At 31 July 2012 £nil (2011: £nil) was due to Dorset Exploration Limited in respect of these transactions.

As detailed in note 19, Dorset Exploration Limited was acquired subsequent to John Rix's resignation as a Director.

EnCore Oil Limited is a shareholder in the Company. EnCore Oil Limited is a wholly owned subsidiary of Premier Oil plc and Andrew Lodge is Exploration Director of Premier Oil plc, and is a Non-Executive Director of Egdon Resources plc. EnCore Oil Limited provided a loan facility, details of which are given in note 24.

During the year the Group provided services to companies with interests in jointly controlled operations as follows:

	2012 £	2011 £
Time costs	180,081	118,698
Overhead recharged in accordance with Joint Operating Agreement	66,244	177,725
	246,325	296,423

The balances due from companies with interests in jointly controlled operations in respect of these transactions as at 31 July 2012 and 31 July 2011 are set out below:

	2012 £	2011 £
Due from companies with interests in jointly controlled operations	69,100	90,007

The Company has a related party relationship with its subsidiaries in the course of normal operations.

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

	2012 £	2011 £
Invoiced to subsidiary companies	1,017,512	731,832

The balances outstanding at 31 July 2012 and 31 July 2011 are set out in the following table.

	Amounts owed by related parties £	Amounts owed to related parties £
As at 31 July 2012		
Related party		
The ultimate parent		
Egdon Resources plc	4,762,505	—
Subsidiaries		
Dorset Exploration Limited	—	5,500
Egdon (E&P) Limited	—	5,500
Egdon Resources Europe Limited	—	2,165,005
Egdon Resources U.K. Limited	—	2,570,000
Egdon Resources Avington Ltd	—	5,500
Egdon Resources France Limited	—	5,500
Aquitaine Exploration Limited	—	5,500

33. Related party transactions (continued)

	Amounts owed by related parties £	Amounts owed to related parties £
As at 31 July 2011		
Related party		
The ultimate parent		
Egdon Resources plc	4,741,566	—
Subsidiaries		
Egdon Resources E&P Limited	—	12,076
Egdon Resources Europe Limited	—	2,242,711
Egdon Resources U.K. Limited	—	2,422,860
Egdon Resources Avington Ltd	—	22,304
Egdon Resources France Limited	—	30,083
Aquitaine Exploration Limited	—	11,532

34. Control of the Group

There is no ultimate controlling party of Egdon Resources plc.

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)
Jeremy Field (Exploration Director)
Walter Roberts (Non-Executive Director)
Kenneth Ratcliff (Non-Executive Director)
Andrew Lodge (Non-Executive Director)

Registered Office:

The Wheat House
98 High Street
Odiham
Hampshire
RG29 1LP
2 November 2012

Dear Shareholder,

1. Introduction

Notice of the Company's forthcoming Annual General Meeting to be held on Thursday 6 December 2012 ("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 2012 (the "Accounts") has been sent to you with this document. Shareholders will be asked to receive the Accounts at the Annual General Meeting.

Reappointment of auditor (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 reappointment 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, 4 & 5)

Jeremy Field and Andrew Lodge were appointed as Directors during the course of the year and are therefore required by the Articles to retire 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 which means that Mark Abbott needs to retire by rotation and he too is offering himself for re-election. Brief biographical details of each of the Directors appear on page 18 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 £4,406,411 which is approximately one-third of the current issued share capital as at 2 November 2012, being the latest practicable date before the publication of this Letter. This authority will expire immediately following the annual general meeting in 2013 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 £4,406,411 which is approximately a further third of the current issued ordinary share capital as at 2 November 2012, 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 shares 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 £3,965,770 which is equivalent to 30% of the issued share capital of the Company on 2 November 2012, 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 2013 or, if earlier, six months following the date to which the Company's next annual reports and accounts are made up.

For this purpose the ABI recommendation for companies on the LSE main list is 5%, although it is generally recognised that for smaller companies and those on AIM this may be too restrictive. Consequently I would ask that, as last year, you approve a 30% disapplication of pre-emption rights to provide your Board with the flexibility to pursue investment opportunities without incurring the costs of a rights issue or the need to market part of the investment opportunity to third parties.

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 8,712,074 ordinary shares (representing 6.59% 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 6 December 2012. 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

Notice of Annual General Meeting

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, 107 Cheapside, London, EC2V 6DN, United Kingdom on Thursday 6 December 2012 at 11.30 a.m. 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 2012, together with the report of the Auditor on those audited accounts.
2. That Nexia Smith & Williamson Audit Limited be and are hereby reappointed 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 Jeremy Field as Director who retires pursuant to article 87 of the Company's articles of association and who, being eligible, offers himself for re-election.
4. To re-elect Andrew Lodge as Director who retires pursuant to article 87 of the Company's articles of association and who, being eligible, offers himself for re-election.
5. To re-elect Mark Abbott 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 £4,406,411; and

(B) comprising equity securities (within the meaning of section 560 CA 2006) up to a further aggregate nominal amount of £4,406,411 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 that 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 2014, 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):
- (ii) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (iii) 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 £3,965,770,

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or 31 January 2014, 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 2012

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 Capital 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 applies 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.

Notice of Annual General Meeting

CONTINUED

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 4 December 2012 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 4 December 2012 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.

Directors, officers and advisors

Directors

Philip Stephens	Non-Executive Chairman
Mark Abbott	Managing Director
Jeremy Field	Exploration Director
Walter Roberts	Non-Executive Director and Company Secretary
Kenneth Ratcliff	Non-Executive Director
Andrew Lodge	Non-Executive Director

Principal and Registered Office

The Wheat House
98 High Street
Odiham
Hampshire
RG29 1LP

Nominated Advisor and Stockbrokers

Seymour Pierce Limited
20 Old Bailey
London
EC4M 7EN

Statutory Auditor

Nexia Smith & Williamson
Chartered Accountants
1 Bishops Wharf
Walnut Tree Close
Guildford
Surrey
GU1 4RA

Legal Advisors

Norton Rose LLP
3 More London Riverside
London
SE1 2AQ

Tax Advisors

Bessler Hendrie
Albury Mill
Mill Lane
Chilworth
Guildford
Surrey
GU4 8RU

Financial Public Relations

Buchanan
107 Cheapside
London
EC2V 6DV

Registrars

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Shareholder notes

Licence Holdings

AS AT 31 JULY 2012

Licences	Operator	Egdon Interest	Area km ²
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UK

1	PL090	Egdon Resources U.K. Limited	55.000%	202.00
2	PEDL005 (Remainder)	Egdon Resources U.K. Limited	75.000%	23.57
3	PEDL068	Egdon Resources U.K. Limited	40.000%	78.30
4	PEDL070	Star Energy Group Limited	26.670%	36.00
5	PEDL118	Egdon Resources U.K. Limited	50.000%	10.40
6	PEDL126	Northern Petroleum Plc	10.000%	256.20
7	PEDL130	Egdon Resources U.K. Limited	100.000%	94.60
8	PEDL139	GP Energy Limited	13.500%*	100.00
9	PEDL140	GP Energy Limited	13.500%*	130.00
10	PEDL141	Seven Star Natural Gas Ltd	46.000%	100.00
11	PEDL143	Europa Oil and Gas plc	38.400%	80.00
12	PEDL155	Northern Petroleum Plc	10.000%	52.80
13	PEDL180	Egdon Resources U.K. Limited	33.330%	100.00
14	PEDL181	Europa Oil and Gas Limited	25.000%	540.00
15	PEDL182	Egdon Resources U.K. Limited	33.330%	40.00
16	PEDL201	Egdon Resources U.K. Limited	37.500%	100.00
17	PEDL203	Egdon Resources U.K. Limited	50.000%	10.54
18	PEDL206	Egdon Resources U.K. Limited	75.000%	100.00
19	PEDL237	Egdon Resources plc	55.000%	108.53
20	PEDL240	Northern Petroleum Plc	7.500%	7.20
21	PEDL241	Egdon Resources U.K. Limited	50.000%	110.00
22	PEDL253	Egdon Resources U.K. Limited	60.000%	189.30
23	PEDL256	NP Weald Limited	7.500%	52.80
24	P1241 block 47/9c	Centrica Energy	10.000%	85.50
25	P1916†	Northern Petroleum (GB) Limited	7.500%	46.00

FRANCE

26	St Laurent†	Egdon Resources France Limited	33.423%	615.00
27	Pontenx†	Egdon Resources France Limited	40.000%	313.00
28	Nimes	Egdon (E&P) Limited	100.000%	507.00
29	Mairy	Toreador Energy France	50.000%	444.00
Awaiting Award				
	Donzacq‡	Egdon Resources France Limited	33.423%	218.00
Back-in Option Licences		Back-in interest		
	Gex	eCORP France Limited	6.000%	932.00
	Navacelles	eCORP France Limited	9.000%	216.00
	Gex Sud‡	eCORP France Limited	6.000%	1991.00

* Egdon holds a 10% interest on the coal bed methane potential of these licences

† Awaiting completion of licence transfer

‡ Awaiting award



Egdon Resources plc

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