



EGDON RESOURCES plc
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2013

Oil and Gas Exploration and Production

WELCOME TO

Egdon Resources plc

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

- ◆ An established oil and gas exploration and production company focused on onshore UK and France
- ◆ A growth focused business with 30 licences in proven oil and gas producing basins
- ◆ A balanced portfolio of production, development, appraisal and exploration projects positioning the Company for future growth
- ◆ A developing position in the high-potential UK unconventional plays
- ◆ A proven operator in the UK and France
- ◆ 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 and production business with a focus on onshore operations in the UK and France

The Group will look to increase shareholder value by:

- ◆ Rationalising and improving the quality of the Group's portfolio
- ◆ Focusing on fewer higher-potential assets in three core areas: Northern England, Southern England & France
- ◆ UK unconventional exploration being an increasingly important part of Egdon's near-term exploration focus and growth strategy
- ◆ Looking to monetise non-core assets and farm-out part of programme to fund investment, manage risk and accelerate activity in core areas



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Operational Highlights

- ◆ Attributable production of 79,947 barrels of oil equivalent (2012: 45,656 barrels of oil equivalent)
- ◆ Drilled and completed wells at Huiron-1 and Nooks Farm
- ◆ Award of offshore licence (blocks 41/18 and 41/19), near-shore North Yorkshire containing significant gas discovery
- ◆ Material prospective shale-gas resources identified in PEDL139/140 where Egdon is carried for an exploration well
- ◆ Planning Consents received for Burton on the Wolds (PEDL201), Wressle (PEDL180), Laughton (PEDL209) and Waddock Cross development (PLO90)
- ◆ Acquired 77 km of 2D seismic data and identified four new conventional hydrocarbon leads in North East Lincolnshire (PEDL181)
- ◆ Favourable judgment at High Court for the Holmwood planning appeal (PEDL143)

Financial Highlights

- ◆ Oil and gas revenues during the period up 27.8% to £3.34 million (2012: £2.61 million)
- ◆ Loss for the period of £0.72 million (2012: £2.89 million loss)
- ◆ Impairment charge recognised of £0.56 million (31 July 2012: £3.15 million)
- ◆ Basic loss per share of 0.54p (31 July 2012: loss per share of 2.21p)
- ◆ Equity as at 31 July 2013 of £16.80 million (31 July 2012: £17.42 million)
- ◆ Cash at bank £2.01 million as at 31 July 2013 (31 July 2012: £3.33 million)
- ◆ Net current assets as at 31 July 2013 of £2.10 million (31 July 2012: £2.17 million)

Corporate/Transaction Highlights

- ◆ Farm-out and royalty reorganisation concluded for the Mairy Permit, France
- ◆ Farm-out arrangements concluded with Union Jack Oil plc for PEDL201 (5%), PEDL180 (8.33%), PEDL253 (6%) and PEDL241 (10%)
- ◆ Sale of 12.5% interest in PLO90 and PEDL237 to Corfe Energy Limited for £500,000 and earn-in arrangements to reacquire 6.25% interest
- ◆ Farm-in concluded to PEDL209 (60%) which contains Laughton Prospect and potential for shale-gas resources elsewhere in licence

Chairman's Review

PHILIP STEPHENS



I am pleased to say that the year to 31 July 2013 has seen progress in relation to a number of our key strategic objectives. We have pursued opportunities in both our conventional and unconventional portfolio where there is often synergy and overlap. We have continued to manage our financial and technical risk through our stated objective of farm-outs and monetisation of non-core assets in order to give us the ability to fund our core projects.

After many months of technical problems, the Ceres gas field was returned to stable production in November 2012 and along with continued production from our onshore oil fields (Keddington, Avington and Dukes Wood/Kirklington) the Company witnessed a 75% increase in attributable production.

During the year, Egdon has participated in the drilling of two wells; the Huiron-1 well in the Paris Basin and Nooks Farm-2 in Staffordshire, UK. At the time of reporting we are waiting to test at Nooks Farm-2 and the Huiron-1 well is suspended due to the full evaluation of the core and log data from the Jurassic and Triassic intervals.

We have delivered on our strategy to farm-out and reduce our technical and financial exposure on planned drilling and seismic activity during the period, with completed farm-outs or sales for the Mairy Permit in France and PEDL201, PEDL180, PEDL241, PEDL253, PEDL237 and PLO90 in the UK. We are actively marketing further assets via farm-out and continue to engage in discussions in relation to monetising non-core assets and will update shareholders as matters develop.

Our patience was rewarded in April 2013 with the award of a new offshore North Yorkshire licence (P.1929) which contains a potentially substantial near-shore gas discovery (Best Estimate Prospective Resources of 150 billion cubic feet of gas "bcf"), which we plan to appraise and, if successful, develop using onshore to offshore drilling techniques. Our plan is to farm-out this key well during 2014 with a view to drilling late in 2014 or early in 2015.

The planning and regulatory regime in the UK continues to be challenging. The introduction of new Environment Agency ("EA") permitting requirements in 2013 under the EU Mines Waste Directive has resulted in an additional step being required prior to drilling and we have just submitted our first applications under this regime. However, against this backdrop we have made good progress in relation to planning matters, with the award of consents for three

conventional exploration wells (Burton on the Wolds, Wressle and Laughton) and for the field development at Waddock Cross which commenced in September 2013. We are finalising plans to commence operations at Burton on the Wolds and Wressle around the end of the year, subject to the grant of the new EA permits and final rig timing.

During the year we were able to provide independent confirmation of the significant shale-gas potential in our Gainsborough Trough licences and we have increased our exposure to this play through a farm-in to PEDL209, where in parts of the licence we map an extension of the Upper Bowland-Hodder play. The Northern England shale-gas report by the British Geological Survey ("BGS") confirmed the significant potential for gas in place in this play and the underlying Lower Bowland-Hodder sequence in the area.

The past year has seen significant developments in relation to UK shale-gas. Encouragingly, we have seen positive signals from central government in relation to shale-gas with approval for the resumption of hydraulic fracturing operations, consultation on tax incentives for shale-gas exploration, new guidance on the planning regime and the formation of the Office for Unconventional Gas and Oil. In addition, notwithstanding the introduction of the Mines Waste Permits, the EA made a commitment to streamline and simplify environmental regulation of onshore oil and gas activities.

Financial

Attributable revenue from oil and gas production during the year was up 27.8% to £3.34 million (2012: £2.61 million) on production of 79,947 barrels of oil equivalent (2012: 45,656 barrels). The Group recorded a loss after tax of £0.72 million for the period (2012: £2.89 million) after impairment charges of £0.56 million in respect of Dukes Wood/Kirklington. The 2012 figures included impairments of £3.15 million. Loss per share for the period was 0.54p (2012: loss of 2.21p).

As at 31 July 2013, the Group had net assets of £16.8 million (2012: £17.42 million). The Group ended the year with £2.01 million of cash and cash equivalents (2012: £3.33 million) and net current assets of £2.1 million (2012: £2.17 million).

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

I draw your attention to note 2 which refers to the assumptions which Directors have made in order to prepare the accounts on a going concern basis.

Corporate Activity and Portfolio Management

As at 31 July 2013 Egdon held interests in 30 licences in the UK and France (31 July 2012: 29) and were awaiting the award of one further licence, Donzacq in France. During the period we relinquished the Nimes Permit in France and were awarded P.1929 covering UK Offshore Blocks 41/18 and 41/19.

We have concluded a number of farm-outs during the period. In January 2013 we completed a farm-out to Hess Oil France and the restructuring of a royalty interest with Geoex Eastern Limited in the Mairy Permit in France which reduced our financial and risk exposure to the Huiron-1 well where we retained a 15% interest. We completed farm-outs to Union Jack Oil plc for a 5% interest in PEDL201, a 6% interest in PEDL253, a 10% interest in PEDL241, and an 8.33% interest in PEDL180. In each case Union Jack Oil plc will pay a “two for one” promoted interest on the first exploration well.

Egdon sold a 12.5% interest in PL090 (excluding the Waddock Cross field) and PEDL237 to Corfe Energy Limited for a cash consideration of £500,000. Under the agreement Egdon is able to earn back a 6.25% interest by paying for future work programme with the net financial effect being as if Egdon had benefited from a “two for one” promote on the planned work programme on the licences.

During May 2013 Egdon agreed a farm-in to PEDL209 which adjoins PEDL140. Egdon will pay for the drilling of the Laughton-1 exploration well to earn a 60% interest in the licence. Laughton is a conventional prospect with gross Best Estimate Prospective Resources in the primary reservoir target of around 1 million barrels of oil close to existing production. The farm-in also increased Egdon’s exposure to shale-gas potential in an area containing an extension of the “sweet spot” of the Gainsborough Trough shale-gas play.

Production

Egdon’s production of 219 barrels of oil equivalent per day (“boepd”) (2012: 125 boepd) during the period came from the Keddington, Avington, Dukes Wood/Kirklington and Ceres fields.

We are pleased to report that the Ceres gas field had largely uninterrupted production from November 2012 until the planned maintenance shut-down of July 2013. Eris remained offline during the period meaning that Ceres alone has been repaying the accumulated deficit of “back-out” gas which built up during the period of no production at Ceres/Eris. New arrangements to deal with this imbalance will mean that going forward Ceres will no longer be subject to “back-out” repayments with all gas being sales gas.

The Keddington oil field continued to produce oil and

associated gas from two horizontal wells which are subject to natural decline in production rates. The planned gas to electricity project, although all consents were received, has been put on hold due to a reduction in gas production rates to levels below economic thresholds for the project. We anticipate the drilling of a further side-track well on the field next year to increase production.

The Avington oil field has continued on production during the period at levels above expectation and the licence holders continue to review options for additional side-track or new wells on the field to increase overall production.

The Dukes Wood/Kirklington fields were produced as a joint development during the period. The Dukes Wood-1 well has experienced problems with frequent pump failures and lower than expected overall oil rates and was shut-in during early 2013. Additional drilling locations are being evaluated to increase production from the combined field. However, an impairment of £0.56 million has been recognised in the period to reflect the reduced value of the combined fields.

Production operations at the Waddock Cross oil field in Dorset licence PL090 commenced post year end.

Exploration and Appraisal

The best estimate of our contingent and prospective resources in the UK and France is c.400 million barrels of oil equivalent (“mmboe”) (2012: 350 mmboe) which highlights the significant potential for growth from our existing exploration portfolio.

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 North Sea Gas Basin.

Abandonment and drilling operations have been completed at Nooks Farm. Egdon was carried for these works and we now await flow testing of the new well which was drilled on a 1982 gas discovery.

Planned exploration drilling activity will be focused in Northern England during 2013-14 with exploration wells at Wressle-1 and Burton on the Wolds-1 forming the first phase of our planned drilling programme. These exploration wells will target Net Egdon Best Estimate Prospective Resources of 1.77 million barrels of oil (“mmbls”) and are expected to commence around the turn of the year. Further drilling at Laughton, Biscathorpe and North Kelsey would be part of a second phase of drilling, partly contingent upon planning and also funding via farm-out and available cash resources. These wells will target a further 10.6 mmbls of Net Egdon Best Estimate Prospective Resources.

Chairman's Review

CONTINUED

A key focus for the Company during the coming year will be licence P1929 (100%) located adjacent to the North Yorkshire coast which contains one of the earliest undeveloped hydrocarbon discoveries in the North Sea made by Total in 1966. Egdon will be upgrading the preliminary evaluation of the structure and looking to farm-out a well on this gas discovery during 2014 with a view to drilling late in 2014 or early in 2015.

Northern England contains Egdon's main identified unconventional potential and during the period we were able to report on the Gainsborough Trough licences PEDL139 and PEDL140 where the company holds a 13.5% carried interest. RPS Energy ("RPS") estimated mean net Egdon total gas in place ("GIIP") to be 1.76 trillion cubic feet ("tcf") within the Upper Bowland-Hodder unit in the licences. A report on potential shale-gas resources of Northern England by the BGS also highlighted the significant additional potential for the Lower Bowland-Hodder unit in these licences and PEDL209. We anticipate an exploration well will be drilled during late 2014 to evaluate the full sequence in the licences. Egdon are carried for this programme. The BGS report also highlights additional shale-gas potential in parts of Egdon's other licences. We are highly encouraged by the content of the report and continue to undertake our own detailed evaluation with the expectation of upgrading our resource estimates in due course.

In **Southern England** our near-term focus is on the Wessex Basin where Egdon has mapped a number of leads and prospects at various reservoir levels including the Sherwood Sandstone, the primary reservoir at the nearby Wytch Farm oilfield. A 3D seismic survey was acquired in September–October 2013 over the main prospective area with a view to finalising a potential drilling location.

In **France**, in the Mairy Permit, the Huiron-1 well was drilled during the period and is currently suspended. We continue with the farm-out of the Audignon Prospect, a high potential Triassic play in the St Laurent Permit in Southern France where a request for a three year licence extension was submitted during the period. The St Laurent licence group also continue to market a potential sale of the Grenade heavy oil accumulation and await the award of the Donzacq Permit.

Outlook

We have identified three key near-term objectives to drive shareholder value:

- a continued focus on maximising production rates and revenues from existing producing assets through targeted investment;
- adding additional reserves/production through an active exploration programme whilst managing risk and financial exposure through an active farm-out and divestment process;
- growing the Company's exposure to shale-gas and shale-oil exploration opportunities in the UK.

We expect attributable production for the coming year to be around 200 boepd with Ceres representing around 70% of this and the rest from Keddington, Avington and Waddock Cross.

Given the high level of interest and recent transactions in UK shale-gas, we expect our UK unconventional assets to be an increasing near-term value driver for the business. We will continue to upgrade our knowledge and resource estimates for our existing licences, expect to participate in the 14th UK Onshore Licensing Round during 2014 and will continue to review new opportunities for growth. The carried drilling on our Gainsborough Trough licences is now anticipated late in 2014, subject of course to receipt of the necessary consents.

Exploration remains a key growth driver for the business and we are planning to commence the drilling of conventional exploration wells at Wressle and Burton on the Wolds around the turn of the year targeting 1.77 mmbbls net to Egdon. We are also developing drilling plans for 2014 with potential conventional exploration wells at Laughton, North Kelsey, Biscathorpe and elsewhere in 2014 and beyond.

We also continue to review opportunities for acquisition and consolidation within our sector as a route to developing materiality for the business.

We continue to manage our cash and look to match our activity with available resources, bolstered where possible through farm-outs and disposals of non-core assets as we look to focus on fewer higher potential projects. Given that our shares have continued to trade around or below the par value of 10p and to ensure we retain the flexibility to access the equity markets if required, we propose to restructure our shares to a 1p par value via a Special Resolution at the forthcoming AGM. Further details are set out in our AGM notice.

As always I would like to pay tribute to our small and hardworking team. Their endeavours have often meant long working hours and a commitment well beyond that normally expected. On behalf of the Board I thank them all for their continuing efforts.

We remain confident in the quality of our assets and their ability to deliver shareholder value in the short to medium term. Shareholders have continued to be patient and we hope that their patience will be rewarded in the coming year.

Philip Stephens

CHAIRMAN

5 November 2013

Managing Director's Operational Review

MARK ABBOTT



I am pleased to provide shareholders with a review of operational 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.

The Company is focused on three core areas: "Northern England", which includes the East Midlands and our Cleveland Basin and offshore gas assets; "Southern England", with Avington production and exploration in the Wessex Basin; and "France", which will see a concentration on our high-impact Aquitaine Basin exploration opportunities.

As highlighted in the Chairman's Review we have made good progress with concluding farm-outs during the period and will continue with active marketing of our assets to manage risk and financial exposure on our planned drilling programme.

The past year has seen significant developments in relation to our UK unconventional strategy. Within our own portfolio we have reported a material shale-gas resource in our Gainsborough Trough acreage which has been independently assessed by RPS. Although initially focused on conventional drilling we have also added additional unconventional potential through our farm-in to PEDL209. The BGS report on the shale-gas potential of Northern England also highlighted potential in additional stratigraphic levels in other licences within Egdon's portfolio. Of equal importance we have seen positive support from central Government in relation to exploration for shale-gas. In 2014 we hope to drill an exploration well in the Gainsborough Trough to obtain technical data in relation to this key potential growth area for the Company and we continue to evaluate other opportunities to increase our exposure to UK unconventional plays.

Egdon is an active member of the UK Onshore Operators Group ("UKOOG") which promotes best practice in relation to onshore oil and gas operations and engages with all stakeholders in relation to conventional and unconventional hydrocarbon issues.

As at 31 July 2013 Egdon's reported Proven and Probable oil reserves are estimated as 0.33 mmbbls (2012: 0.42 mmbbls). Our Proven and Probable gas reserves have reduced to 1.1 bcf (2012: 2.9 bcf) due to production and Kirkleatham and Nooks Farm moving to Contingent Resources until drilling results are known.

The best estimate of our contingent and prospective resources in the UK and France is c.400 million barrels of oil equivalent ("mmbbls") (2012: 350 mmbbls) which highlights the significant potential for growth from our existing exploration portfolio.

UK

The UK is Egdon's primary business segment with 27 licences, 24 of which are onshore and 15 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 (18 licences) 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 producing assets at Keddington and Dukes Wood/Kirklington, numerous identified drill-ready prospects and a developing high potential shale-gas exploration play in the Gainsborough Trough and elsewhere.

The **Keddington Oil Field** (PEDL005R — Egdon 75%) currently produces oil and associated gas from two wells (Keddington-4 and Keddington-3Z) at rates of 40–45 barrels of oil per day ("bopd") with the wells showing natural decline. The associated gas rates have reduced significantly during the last year to the point where we have delayed investment in the proposed gas to electricity project pending any further drilling. We continue to evaluate opportunities for additional drilling on the field during 2014 and beyond to increase production and total field recovery and will revisit the gas to electricity project once new wells are drilled.

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 new drilling site are ongoing with a view to submission of a planning application and potential drilling possibly in 2014.

Managing Director's Operational Review

CONTINUED

The **Dukes Wood/Kirklington oil field** (PEDL118 and PEDL203 — Egdon 50%) were produced as a joint development during the period. The Dukes Wood-1 well experienced problems with frequent pump failures and lower than predicted overall oil rates and has remained shut-in since early 2013. An impairment of £0.56 million has been recognised for the asset. Potential new drilling locations in areas of the Dukes Wood/Eakring field not previously produced (e.g. Eakring North Lead) and locations where producible oil remains are under evaluation with a view to agreeing a long-term growth plan for the field. In the meantime it is planned to produce Kirklington-3Z well on a stand-alone basis as economics allow.

The next exploration wells to be drilled by Egdon will be on the Burton on the Wolds and Wressle prospects. Planning Consent has been obtained during the period for both wells and we are in the process of fulfilling the various planning conditions and obtaining newly introduced Environment Agency permits for the sites with operations planned to commence around the turn of the year.

The **Burton on the Wolds Prospect** (PEDL201 — Egdon 32.5%) is located on the southern margin of the Widmerpool Gulf in Leicestershire. Egdon has farmed-out a 17.5% interest in the well on a promoted basis. The well, which will be drilled vertically to a depth of around 1,000 metres, will target Net Egdon Best Estimate Prospective Resources of 1.24 mmbbls in two distinct Carboniferous stratigraphic levels. The shallower target, the Rempstone Sandstone, is productive at the nearby Rempstone oil field. A seismic anomaly, possibly indicative of a carbonate reef and untested in the basin, underlies the Rempstone Sandstone and provides a higher risk secondary target.

The **Wressle Prospect** (PEDL180 — Egdon 25%) is defined on proprietary 3D seismic data, which was acquired by Egdon in February 2012. The Prospect is located on trend with the producing Crosby Warren oil field and the Broughton-B1 oil discovery, both to the immediate North-West, and the Brigg-1 oil discovery to the immediate South-East. These contain oil in multiple Upper Carboniferous sandstone reservoirs. The Net Egdon Best Estimate Prospective Resources at Wressle, as calculated by Egdon, are estimated to be 0.53 mmbbls. The planned well will be drilled as a deviated well to a total depth of about 2,300 metres with a maximum offset of approximately 1,250 metres. It has been designed to intersect all of the prospective sandstone reservoirs in a structurally favourable position near the crest of the Wressle structure.

The **Broughton Prospect** (PEDL182 — Egdon 33.33%) is located to the west 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 0.36 mmbbls. Drilling will be dependent upon the results of the Wressle-1 well.

The **Biscathorpe Prospect** (PEDL253 — Egdon 54%) 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 7.62 mmbbls. Egdon farmed out a 6% interest in the licence to Union Jack Oil plc on a two for one basis. A planning application for a new well was submitted in the summer of 2013 and is currently being considered. It is intended to further farm-out the Biscathorpe Prospect prior to drilling in 2014, subject to planning.

The **North Kelsey Prospect** (PEDL241 — Egdon 40%) is a structural trap mapped on 3D seismic and has potential for up to four stacked reservoir intervals, namely the Chatsworth, Beacon Hill, Ravensthorpe and Santon sandstones. Net Egdon Best Estimate Prospective Resources are 2.4 mmbbls. Egdon have farmed-out a 10% interest to Union Jack Oil plc who will pay 20% of the cost of the North Kelsey well. Subject to planning it is hoped that a vertical well to test multiple reservoir targets could be drilled in 2014.

Egdon has farmed-in to PEDL209 (Egdon 60%) which contains the **Laughton Prospect** Egdon will earn a 60% interest in the licence in return for paying 100% of the cost of the Laughton-1 exploration well. The Laughton Prospect is a structural trap defined on 2D seismic data with the primary objective being the Silkstone Rock, an approximately 15 metres thick sandstone interval which is productive in the Corringham oil field five kilometres to the south-east. Egdon currently estimate net Egdon Best Estimate Prospective Resources of 0.6 mmbbls. Egdon expects to drill the well during 2014.

Northern England contains Egdon's main identified **unconventional potential** and although not present in the area of the planned Laughton-1 well, Egdon recognises that there is potential for significant shale-gas resources to be present within the western parts of PEDL209 in the Gainsborough Trough geological basin. During the year we were able to provide independent confirmation of the shale-gas potential in our Gainsborough Trough licences PEDL139 and PEDL140 (Egdon — 13.5%). RPS estimated mean net Egdon total gas in place ("GIIP") to be 1.76 trillion cubic feet ("tcf") within the Upper Bowland-Hodder unit in the licences. Taking into account accessibility issues and likely recovery factors net Egdon mean Prospective Resources were estimated to be 190 bcf. The BGS report in July 2013 also highlighted the significant additional potential for the Lower Bowland-Hodder unit in these licences and PEDL209. Egdon have long recognised that the Lower Bowland-Hodder sequence in the Gainsborough Trough could be in excess of 1,500 metres in thickness and the BGS report shows most of Egdon's licences, PEDL139, PEDL140 and PEDL209, as being located within the area of gas mature Lower Bowland-Hodder. This highlights the possibility of further significant gas in place in the licences in addition to that already evaluated by RPS for the approximately 125 metre thick Upper Bowland-Hodder sequence. The BGS report also highlights additional shale-gas potential in certain parts of Egdon's PEDL201 and PEDL130 licences. We are highly encouraged by the content of the report and continue to undertake our own

detailed evaluation of the shale-gas potential of these and other licences and of the potential for shale-oil elsewhere in our existing portfolio with the expectation of upgrading our resource estimates in due course. We anticipate an exploration well “**Gainsborough Deep**” will be drilled during late 2014 to evaluate the full sequence in the Gainsborough Trough. Egdon’s costs are carried for this well.

In offshore block P1241 (Egdon — 10%) the **Ceres gas field** was on largely uninterrupted production from November 2012 until the planned maintenance shut-down of July 2013. Production recommenced in late September 2013. The remaining proven and probable Net Egdon reserves for the field are estimated at 1.1 bcf. New arrangements to deal with the imbalance of “back-out” gas paid by Ceres will mean that going forward Ceres will no longer be subject to “back-out” with all production being sales gas. We expect attributable Egdon production to be between 1 and 1.2 million cubic feet per day (“mmcfg/d”) (165-200 boepd) for the coming period.

In April 2013 Egdon were awarded offshore licence P.1929 (Egdon — 100%) covering blocks 41/18 and 41/19 located adjacent to the North Yorkshire coast. The licence contains one of the earliest undeveloped hydrocarbon discoveries in the North Sea made by Total in 1966. The 41/18-1 (A339/1-2) well tested gas at rates of up to 2.5 mmcfg/d from the fractured Upper Permian “Hauptdolomit” carbonates. We have provisionally named this the “A” Prospect and Egdon’s initial evaluation indicates the potential for the structure to contain substantial Prospective Resources in the range of 40 to 272 billion cubic feet of gas (“bcf”), with a Best Estimate of 150 bcf. During the coming six months we will re-evaluate this gas discovery through the interpretation of reprocessed 2D seismic data over the blocks together with detailed analysis of the previous well results. Our plan is to seek consent to drill an exploration/appraisal well from an onshore location to appraise the discovery. We plan to farm-out this well during 2014 with a view to drilling late in 2014 or early in 2015.

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 identified up-dip area of the accumulation. A well is anticipated during 2014. The Net Egdon Best Estimate Contingent Resources to be accessed by a side-track well are evaluated at 0.16 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 now for the well to be drilled is late 2014.

Operations to abandon the existing wells and to re-enter and drill a production well have been completed at **Nooks Farm** (PEDL141 — Egdon 46%). We now await the results of

testing on this 1982 gas discovery where Net Egdon Best Estimate Contingent Resources of 1 bcf are identified and are planned to be developed via electricity generation.

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. A planning application is under consideration and will be submitted once this prospect is prioritised possibly during 2014.

Egdon has identified **Coal Bed Methane** (“CBM”) potential (Estimated Mean Contingent and Prospective Resources of 42 bcf) within its East Midlands licences and will continue to look at ways of leveraging value from these non-core assets.

Southern England

In our Southern England core area (9 licences), the **Avington oil field** (PEDL070 — Egdon 26.67%) has continued on production during the period at levels 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 70,000 bbls.

In addition to production at Avington our primary focus for the coming period in Southern England is the Wessex Basin. All required consents were achieved and production commenced, post year end, in September 2013 at the **Waddock Cross oil field** (Egdon 55%). The initial phase of development involves production from one well and subsequent restoration of production from another well, followed by additional drilling in 2014/2015 and will access estimated Net Egdon Proven and Probable reserves of 170,000 bbls out of mapped oil-in-place of over 30 mmbls.

In PEDL237 and PLO90 (Egdon 48.75%), Egdon has mapped a number of **Sherwood Sandstone** leads and prospects, which is the primary reservoir at the nearby Wytch Farm oil field, the largest onshore field in Western Europe. In April 2013 Egdon sold a 12.5% interest in PLO90 (excluding the Waddock Cross Field) and PEDL237 to Corfe Energy Limited for a cash consideration of £500,000 with Egdon able to earn back 6.25%. A 3D seismic survey covering an area of 68.5 square kilometres was completed in October 2013. The survey was focused on the Casterbridge and Broadmayne structures where, based on previous 2D seismic data, Egdon have estimated Net Egdon Best Estimate Prospective Resources for the Sherwood Sandstone Prospects of 27 mmbls. The processed 3D data will be available early in 2014 and will enable the licence group to identify locations for possible future exploration drilling. We have also identified and delineated a potential shallow oil play at the Langton Herring Prospect which was encountered in the 1959 Langton Herring North-1 well but may not have been adequately tested (Net Egdon Best Estimate Prospective Resources 0.4 mmbls).

Managing Director's Operational Review

CONTINUED

The **Holmwood Prospect** (PEDL143 — Egdon 38.4%) is one of the largest undrilled prospects in the Weald Basin and is mapped by Egdon as containing net Egdon Best Estimate Prospective Resources of 16.6 bcf. During the period we received a favourable judgment at the High Court quashing the inspector's decision in respect of the unsuccessful Holmwood-1 planning appeal. However, the Leith Hill Action Group has subsequently advised that it intends to appeal this decision and we expect this to be heard in the first half of 2014.

France

Egdon holds interests in three French licences, is awaiting the award of a fourth (Donzacq), and has back-in options on two further permits plus a pending application (Gex Sud). During the period we relinquished the Nimes Permit. Although the regulatory regime in France is currently challenging, and we have no plans to grow our position in the country, we do see potential to add significant shareholder value, particularly from our conventional oil and gas prospects within the Aquitaine Basin.

In January 2013 Egdon completed a farm-out to Hess Oil France Limited and the restructuring of a royalty interest to Geoex Eastern Limited in the **Mairy Permit**, located in the Paris Basin. This resulted in Egdon having a 15% interest in the Huiron-1 well which was drilled to a total depth of 2,325 metres and remains suspended whilst core and log data from the Jurassic and Triassic intervals are fully evaluated. Future testing activity will be dependent on the evaluation of these results and regulatory matters.

Our focus for 2014 remains on high impact exploration within the St Laurent Permit (Egdon 33.423%) where we continue to seek a farm-in partner for the drilling of 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 request to extend the permit for a further three years was submitted during the period. We continue to market our interest in the **Grenade Heavy Oil** discovery where we have Net Egdon Contingent Resources of 2.0 mmbbls and 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 have submitted an application to renew the Pontenx Permit (Egdon 50%) into its second term and we are developing plans to acquire a 3D seismic programme in early 2015 over the **Pontenx Prospect** where oil was discovered and tested in the Pontenx-3 well in 1966.

Outlook

We expect production during the coming year to be around 200 boepd, with Ceres being a key contributor to this. Additional development drilling activity at our onshore oil and gas producing assets (Keddington, Avington, Kirkleatham, Waddock Cross and Dukes Wood/Kirklington) could lead to further production and revenues. We will continue with an active marketing programme to farm-out certain prospects and to monetise some projects to manage technical risk and 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 material drilling programme over the coming period. Our revised prioritised programme over the next 18 months will see Egdon commencing a two well operated programme around the turn of the year targeting Net Egdon reserves potential of 1.77 mmbbls with additional drilling later in 2014 contingent upon planning, farm-out and cash flow from production targeting a further 10.6 mmbbls. A key focus during the next 18 months will be the evaluation, farm-out and subsequent drilling of the "A Prospect" in P.1929. The development from the onshore of this 150 bcf gas discovery could be transformational for the business.

UK shale-gas is expected to be an increasing near-term value driver for the business. We expect to upgrade the unconventional resource estimates for our existing licences and will look to participate in the 14th UK Onshore Licensing Round during 2014 where we have identified a number of opportunities. A key step in our strategy for UK unconventional resources will be the drilling of a carried exploration well in the Gainsborough Trough which is now anticipated late in 2014, subject of course to receipt of the necessary consents. We will also benefit from the knowledge gained by others drilling in these developing plays elsewhere in the UK. We will look at deals such as that concluded in respect of PEDL209 to develop our position in these emerging high value plays.

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 continued to be challenging, but we have made good progress and I look forward to delivering further on our revised strategy for the benefit of shareholders during the coming year.

Mark A W Abbott

MANAGING DIRECTOR
5 November 2013

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 suspended due to reduction in gas flow rates
- 2P plus 2C Field reserves currently estimated at 0.19 mmbbls (Net Egdon)
- Louth Prospect — 3D defined prospect contiguous with Keddington — c.1.00 mmbbls 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 gas field shut-in awaiting side-track — expected during 2014
- 2C remaining reserves of 0.16 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 2014 or 2015

PEDL118/PEDL203 Dukes Wood/Kirklington (50% Egdon operated interest)

- Located in Nottinghamshire in the East Midlands Petroleum Province
- Two production wells from Carboniferous Sandstones — Dukes Wood-1 and Kirklington-3Z
- Dukes Wood-1 dual completion for water disposal and a hub for further in-fill drilling
- Production commenced during September 2012 as part of Dukes Wood/Kirklington production unit
- DW-1 suspended due to recurring pump problems and lower than expected oil rates — impairment of £0.56 million
- 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 and possible shale-oil potential

PEDL139/PEDL140 Gainsborough Trough (13.5% interest; 10% interest in coal bed methane)

- Located in Nottinghamshire/Lincolnshire in the East Midlands Petroleum Province — Gainsborough Trough
- Significant “Bowland-Hodder” shale-gas potential identified — exploration well planned for 2014 — Egdon carried
- CPR by RPS Energy Limited indicates GIIP of 1.76 tcf (Net Egdon) in the Upper Bowland-Hodder Unit
- BGS report identifies additional significant potential in the Lower Bowland-Hodder Unit
- 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
- Seven Star Natural Gas Limited (Alkane Energy plc) completed abandonment of existing wells and sidetrack well (Egdon carried)
- Awaiting testing to determine flow rates
- Net Egdon Best Estimate Contingent Resources of 1 bcf to be developed via electricity generation

PEDL180 Wressle (25% 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 0.53 mmbbls
- Drilling planned on Wressle Prospect end 2013/ early 2014

PEDL181 Humber Basin (25% Egdon interest)

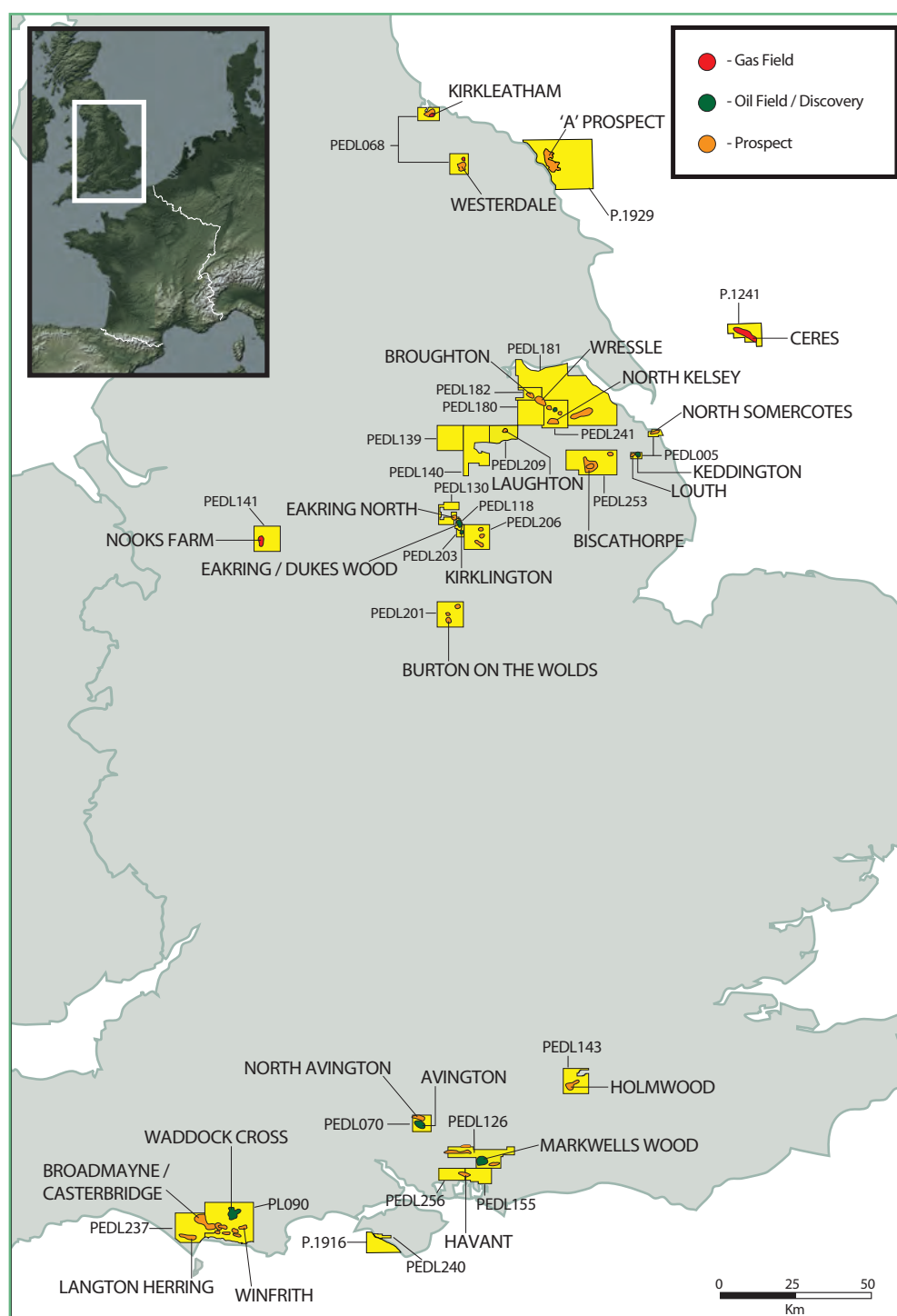
- Large undrilled block located in Lincolnshire and Humberside in the underexplored Humber Basin
- 77 km 2D seismic acquisition and 3D reprocessing completed in 2013
- Technical work on-going to evaluate several conventional leads
- Potential for unconventional resources in Humber Basin

PEDL182 Broughton (33.33% Egdon operated interest)

- Located in Lincolnshire in the East Midlands Petroleum Province
- 3D seismic programme completed in 2012
- Potential identified up-dip of 1984 well which produced at 40 bopd — Net Egdon Best Estimate Prospective Resources of 0.36 mmbbls
- Future drilling conditional upon results of Wressle-1 well

UK Licences in Summary

CONTINUED



PEDL201 Widmerpool

(32.5% Egdon operated interest)

- Located in Nottinghamshire and Leicestershire in the East Midlands Petroleum Province
- Burton on the Wolds Prospect Net Egdon Prospective Resources 1.24 mmbbls
- Drilling planned on Burton on the Wolds Prospect end 2013/early 2014

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 — likely relinquishment at end of initial term

PEDL209 Laughton**(60% Egdon operated interest)**

- Located in Lincolnshire in the East Midlands Petroleum Province
- Egdon farm-in to Laughton Prospect — Net Egdon Prospective Resources 0.6 mmbbls
- Planning consent received for conventional exploration well
- Potential for significant shale-gas resources to be present within western parts of the licence

PEDL241 North Kelsey**(40% Egdon operated interest)**

- Located in Lincolnshire in the East Midlands Petroleum Province
- 3D defined oil prospect with Net Egdon Prospective Resource potential of 2.40 mmbbls
- Planning application to be submitted in Q4 2013

PEDL253 Biscathorpe**(54% 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 7.62 mmbbls with stratigraphic trapping upside
- Site identified and agreement reached, planning application submitted Q3 2013

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

- Located offshore Yorkshire in the Southern Gas Basin
- Lower Permian Leman Sandstone reservoir gas field
- Remaining 2P Net Egdon Reserves of 1.1 bcf
- Expected production of c.1.2 mmscfd net Egdon during 2013–2014

P.1929 Blocks 41/18 and 41/19**(100% Egdon operated interest)**

- 26th Round Licence located adjacent to North Yorkshire coast in Cleveland Basin
- Upper Permian Zechstein carbonate gas discovery (1966 Total well 41/18-1 flowed at 2.5 mmcf/d following acidisation)
- Net Egdon best Estimate Prospective Resources of 150 bcf
- Proposal to drill an appraisal well from onshore to offshore — Farm-out well

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

- Located on the Isle of Wight in the Wessex Basin
- A multi-target 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.20 bopd
- 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%/48.75% Egdon operated interest)**

- Located in Dorset in the Wessex Basin
- Waddock Cross — Bridport Sandstone (Jurassic) oil discovery with in excess of 30 mmbbls in place, 2P reserves of 0.17 mmbbls (Net Egdon)
- Planned phased development of the field — initial production commenced September 2013
- Significant Sherwood Sandstone oil prospects at Winfrith (1.74 mmbbls Net Egdon Best Estimate Prospective Resources) and elsewhere (see PEDL237)
- 3D seismic acquisition undertaken in September/October 2013

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

- Located in West Sussex in the Weald Basin
- Oil discovered and tested in the Great Oolite
- Well suspended

PEDL237 Weymouth**(48.75% Egdon operated interest)**

- Located in Dorset in the Wessex Basin
- Significant Sherwood Sandstone Prospects identified — 27 mmbbls combined Net Egdon Best Estimate Prospective Resources in the two largest
- Langton Herring Bridport Sandstone Lead — 0.4 mmbbls Net Egdon Best Estimate Prospective Resources — possible by-passed oil pay
- 3D seismic acquisition undertaken in September/October 2013

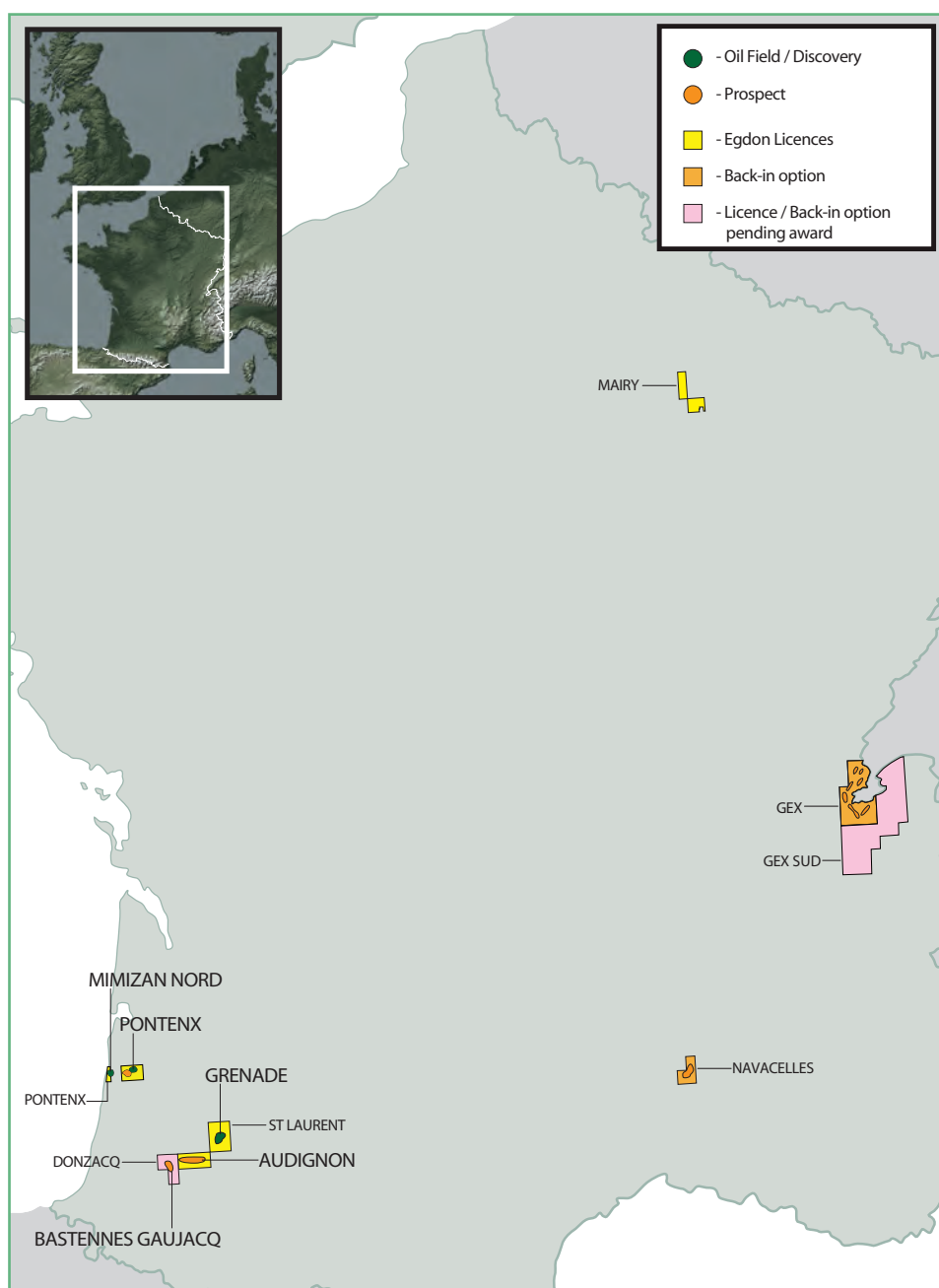
PEDL143 Holmwood**(38.4% interest)**

- Located in Surrey in the Weald Basin
- Holmwood prospect — Jurassic carbonate and sandstone prospect (Net Egdon Best Estimate Prospective Resources of 16.6 bcf)
- Favourable judgment at High Court in relation to the Holmwood planning appeal — appeal lodged by action group

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



St Laurent

(33.423% Egdon operated interest)

- Located in the Aquitaine Basin of South-West France
- Contains multi-tcf potential Audignon Gas Prospect (896 bcf Net Egdon Best Estimate Prospective Resources)
- Licence extension submitted during 2013 for 3 year period
- Contains the Grenade heavy oil accumulation — Net Egdon 2.0 mmbls Best Estimate Contingent Resources
- Planned farm-out of Audignon and sale/disposal of Grenade

Pontenx

(50% 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 Contingent Resources of 0.4 mmbls
- Application to enter second period submitted
- Forward plan of 3D seismic and possible drilling on Pontenx-Bourache High

Mairy**(15% interest)**

- Located in the Paris Basin of Northern France
- Contains Liassic and Triassic oil potential
- Huiron-1 well drilled to a TD of 2,325 m and suspended pending full evaluation of the core and log data

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)
- 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	0.19	0.33	0.53	MMbbls	Keddington, Avington, Dukes Wood/Kirklington, Waddock Cross phase 1
	Low Estimate	Best Estimate	High Estimate		
Net Oil Contingent Resources	1.18	3.42	7.28	MMbbls	Grenade, Waddock Cross phase 2
Net Oil Prospective Resources (conventional)	27.12	71.75	140.02	MMbbls	Louth, North Kelsey, Biscathorpe, Pontenx, Casterbridge/Broadmayne and others
Net Oil Prospective Resources (unconventional)	12.91	38.72	108.26	MMbbls	Liassic and Carboniferous shale-oil
Total Net Oil Prospective Resources	40.03	110.47	248.28	MMbbls	

Class of reserve/resource	Proven	Proven + probable	Proven + probable + possible	Units	Field/Prospect Name
Net Gas Reserves	0.96	1.1	1.62	Bcf	Ceres
	Low Estimate	Best Estimate	High Estimate		
Net Gas Contingent Resources	19.29	21.57	24.93	Bcf	Kirkleatham, Nooks Farm, Keddington Namurian, PEDL139/140 CBM, Westerdale
Net Gas Prospective Resources (conventional)	308.64	1076.54	2161.75	Bcf	Audignon, A Prospect, North Somercotes and others
Net Gas Prospective Resources (unconventional)	315.3	617.08	1214.05	Bcf	Gainsborough Trough and others
Total Net Prospective Gas Resources	623.94	1693.62	3375.8	Bcf	
Total Contingent and Prospective Resources	148.42	399.75	822.35	Mmboe	

Note: all numbers are Company estimates.

Financial Review

KEN RATCLIFF



Results

The Group recorded a loss after tax of £0.72 million for the period (2012: £2.89 million).

Revenue from oil and gas production during the year was up 27.8% to £3.34 million (2012: £2.61 million). Of this revenue, £1.91 million relates to accrued production revenues from the Ceres field. No production revenues were received whilst Ceres was repaying the accumulated deficit of "back-out" gas due from the Eris/Ceres fields. This accrual will be released against future field production with new arrangements meaning that all gas produced is sales gas. It is expected that the accrued revenue will be realised within 15-18 months.

Operating Loss, which is defined as Gross Profit, excluding the cost of exploration write-offs, impairments and pre-licence expenditure, less administrative expenses, plus other operating income, was £376,537 (2012: profit of £70,151). This is primarily as a result of a drop in the Gross Profit margin, excluding exploration write-offs and pre-licence costs, to 12% (2012: 27%). The increased costs are due to a higher depreciation charge in respect of the Ceres field following a revision to the reserves estimate at the end of the 2012 financial year, together with production issues at the Dukes Wood/Kirklington oil field resulting in higher production costs than anticipated and high fixed costs at Keddington where production has been reduced. The increased administrative expenses are largely due to the ongoing cost of a reserves report. Other operating income has fallen from £126,943 in 2012 to £80,588 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 0.54p (2012: 2.21p).

Exploration costs written off and pre-licence costs of £607,477 (2012: £3,240,838) include impairments totalling £555,000 (2012: £3,150,000) and write-offs in respect of one relinquished licence totalling £22,510 (2012: £33,668).

During the year, the Group sold a 12.5% interest in licences PEDL237 and PL090, excluding the Waddock Cross field development area to Corfe Energy Limited ("Corfe") for a cash consideration of £500,000. Under the terms of an Earn-In Agreement, Egdon will be able to earn back a 6.25% interest in both licences through paying attributable costs in addition to the costs attributable to the 6.25% interest

acquired by Corfe from Egdon. Egdon is entitled to opt out of the Earn-In obligation following completion of a 3D seismic programme over certain prospects on the above licences.

Taxation

No taxation charge arises on the result for the year.

Statement of Financial Position

As at 31 July 2013 the Group had Net Assets of £16.80 million (2012: £17.42 million). This comprises the Group's investments in intangible exploration and appraisal assets of £8.49 million (2012: £8.28 million), property, plant and equipment (our producing assets) of £7.33 million (2012: £7.92 million), net current assets of £2.10 million (2012: £2.17 million) and non-current liabilities of £1.11 million (2012: £0.95 million).

The Group currently has debt of £1 million (31 July 2012: £1 million). This attracts interest of 10% per annum and is repayable by 28 January 2014.

Evaluation & Exploration Assets

The above sale of an interest in PEDL237 and PL090 to Corfe Energy Limited resulted in a credit against the historic costs of the licence of £13,741.

Receivables

Receivables have increased to £2,611,208 (2012: £860,406). Trade receivables have decreased by £210,773 to £235,333 reflecting the lower realised production revenues immediately prior to the year end.

The increase of £1,962,732 in prepayments and accrued income reflects accrued production revenues from the Ceres field which is expected to be realised within 15-18 months.

Payables

Payables have increased to £2,568,099 (2012: £2,109,295) reflecting increased cost accruals primarily in relation to the Ceres field.

Cash Flow

The Group ended the year with £2.01 million of cash and cash equivalents (2012: £3.33 million). Cash and cash equivalents include restricted cash of £205,058 (2012: £204,648).

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 2013	y/e 31 July 2012	Change
Revenues	£3.34 million	£2.61 million	+27.8% ↑
Total Comprehensive Income (Net Loss)	£(0.72) million	£(2.89) million	+75.2% ↑
Net Current Assets (including cash)	£2.10 million	£2.17 million	-3.0% ↓
Equity	£16.80 million	£17.42 million	-3.6% ↓
Production Volumes	79,947 boe	45,656 boe	+75.1% ↑
No. of Licences	30	29	+3.45% ↑
Reserves and Resources (Most Likely)	400 mmboe	387 mmboe	+3.36% ↑
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 programmes has increased, the performance of assets has become a more material risk as evident from issues experienced with Ceres during the period.

Regulatory uncertainties in both the UK and France in relation to unconventional 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

- Ineffective mix of oil and gas interests
- Organic and acquisition led growth
- Ineffective or inadequate management processes
- Loss of key staff/succession planning

Mitigation

Interests in two countries and several sedimentary basins.
Regular review of capital investment programmes. Board approval required for exploration programmes, acquisitions and divestments.
Policies and procedures appropriate for an exploration and production company of Egdon's scale and size.
Remuneration policies to attract and retain staff.

Financial risk

Failure to meet financial obligations to stakeholders

Risk Category

- Industry cost inflation
- Oil and gas price volatility
- Inadequate or excessive hedging
- Uninsured events
- Underperforming assets
- Cost overruns
- Availability of capital
- Mispriced corporate acquisitions

Mitigation

Rigorous contracting procedures with competitive tendering.
Use range of commodity prices in forecasting. Look to hedging as production volumes and number of fields increase.
Limited opportunity for hedging with current producing assets. Review hedging policy as production volumes and number of fields increase.
Comprehensive insurance policies.
Range of production forecasting in budget process. Increase number and breadth of producing assets.
Main capital expenditure is in drilling operations. Look to farm-out projects where significant risk of cost overrun exists to limit exposure.
Forecasts prepared and reviewed regularly. Board considers options for managing and generating capital to ensure cash flow risk is commensurate with size of business.
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

- HSE incident
- Development failure
- Sustained exploration failure
- Corruption or reputation failure
- Loss of key staff
- Failure to secure equipment, services and resources
- Corporate and social responsibility

Mitigation

HSE standards set and monitored across the Group.

Technical, Financial and Board approval of development projects with regular reporting of field performance and independent assessment of assets.

Robust technical review of all projects. Board approval of exploration budgets and regular reporting of exploration results.

High level of ethical standards apply to all Group activity.

Remuneration policies to attract and retain staff.

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.

Maintain good community relationships.

External risk

Failure to manage and grow the business caused by external political, industry or market factors

Risk Category

- Political risk and fiscal change
- Oil and gas price volatility
- Lack of control of key assets
- Corporate governance failings
- Shareholder sentiment

Mitigation

Develop sustainable relationships with government ministries and collaborate with industry bodies to communicate interests to government authorities.

Use range of commodity prices in forecasting. Look to hedging as production volumes and number of fields increase.

Proactive formal and informal communications with joint venture partners.

Review of compliance requirements and ongoing consultation with legal and financial advisors and the audit committee.

Maintain good communications with shareholders. Present timely and transparent information. Maintain website. Effectively convey and execute corporate strategy.

Ken Ratcliff

CHAIRMAN OF AUDIT COMMITTEE
5 November 2013

Board of Directors



Philip Stephens
(Non-Executive Chairman)

Aged 71

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 52

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 58

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 62

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 63

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 57

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 2013.

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 UK Corporate Governance 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 eight times in the year to 31 July 2013. All meetings were attended by all Directors, except for one from which one Director was absent. In addition, there were three 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 the 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 2013 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 Director and the senior management of the Company. Non-Executive fees are considered and agreed by the Board as a whole.

The Remuneration Committee plans to meet at least twice in each year. It met twice in the year to 31 July 2013 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.

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.

Corporate Governance Statement

CONTINUED

Internal Controls

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

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 pages 14 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 2013.

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 2013 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 Review, 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 £0.72 million for the period (2012: £2.89 million). The loss for the year is after charging impairments, exploration write-downs and pre-licence costs of £0.61 million (2012: £3.24 million) and profit on disposal of licence interest of £0.39 million. The 2012 figures included negative goodwill recognised on the acquisition of Dorset Exploration Limited of £0.41 million.

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

Share Capital

At the date of this report 132,787,543 ordinary shares are issued and fully paid. Details of movements in share capital during the year are given in note 26 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
Premier Oil (EnCore Petroleum) Limited	15.36
EnCore (NNS) Limited	13.56
Hargreave Hale & Co	11.00
Heyco Energy Holdings SL	5.17
Andrew Hindle	3.95
Maven Capital Partners UK LLP	3.21

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. Six Directors served throughout the year.

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

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

	%	Shares
Mark A W Abbott	5.70	7,563,824
Walter Roberts	0.82	1,091,750
Ken Ratcliff	0.12	156,500
Philip Stephens	0.07	100,000
Jerry Field	—	—
Andrew Lodge	—	—

Charitable and Political Donations

During the year the Group made various charitable contributions in the UK totalling £198 (2012: £1,271). No donations were made for political purposes (2012: £nil).

Creditor Payment Policy

The Group's policy for all suppliers is to fix terms of payment when entering into a business transaction, ensure that the supplier is aware of those terms and to abide by the agreed terms of payment. The number of days' trade creditors was 30 (2012: 22) 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 24 to the financial statements.

Directors' Report

CONTINUED

Employees

The Group had 13 employees as at 31 July 2013 (2012: 14). Employees are encouraged to directly participate in the business through a share option scheme. Details of the share option scheme are given in note 9 to the financial statements.

Auditor

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

Going Concern

Note 2 to the financial statements refers to the assumptions made by the Directors when concluding that it remains appropriate to prepare the financial statements on the going concern basis.

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

5 November 2013

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 2013 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 33. 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 FRC'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 2013 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.

Emphasis of matter — going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of disclosure made in note 2 concerning the Group's ability to continue as a going concern. Cash flow forecasts produced by the Directors indicate that the ability of the Group to continue as a going concern is dependent on generating cash from future production from the Ceres field and realising cash from asset transactions and/or an equity fundraising. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

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

5 November 2013

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 JULY 2013

	Notes	2013 £	2012 £
Continuing operations			
Revenue	3	3,341,419	2,614,332
Cost of sales — exploration costs written off, impairments and pre-licence costs		(607,477)	(3,240,838)
Cost of sales — depreciation and other		(2,949,696)	(1,907,772)
Total cost of sales		(3,557,173)	(5,148,610)
Gross loss		(215,754)	(2,534,278)
Administrative expenses		(848,848)	(763,352)
Other operating income		80,588	126,943
Exceptional item — negative goodwill arising on acquisition	18	—	405,652
Exceptional item — profit on disposal of asset	5	392,509	—
		(591,505)	(2,765,035)
Finance income	11	3,789	8,134
Finance costs	12	(129,876)	(134,245)
Loss before taxation	4	(717,592)	(2,891,146)
Taxation	13	—	—
Loss for the period		(717,592)	(2,891,146)
Other comprehensive income for the period		—	—
Total comprehensive income for the period attributable to equity holders of the parent		(717,592)	(2,891,146)
Loss for the period per share			
Basic loss per share	14	(0.54)p	(2.21)p
Diluted loss per share	14	(0.54)p	(2.21)p

Consolidated Statement of Financial Position

AS AT 31 JULY 2013

	Notes	2013 £	2012 £
Non-current assets			
Intangible assets	16	8,485,316	8,281,379
Property, plant and equipment	17	7,326,592	7,920,105
Total non-current assets		15,811,908	16,201,484
Current assets			
Inventory	19	—	32,627
Trade and other receivables	20	2,611,208	860,406
Available for sale financial assets	21	50,000	50,000
Cash and cash equivalents	22	2,006,369	3,331,312
Total current assets		4,667,577	4,274,345
Current liabilities			
Trade and other payables	23	(2,568,099)	(2,109,295)
Net current assets		2,099,478	2,165,050
Total assets less current liabilities		17,911,386	18,366,534
Non-current liabilities			
Provisions	25	(1,111,656)	(945,601)
Net assets		16,799,730	17,420,933
Equity			
Share capital	26	13,278,754	13,219,233
Share premium	27	1,378,701	1,375,428
Share based payment reserve		134,732	113,101
Retained earnings		2,007,543	2,713,171
		16,799,730	17,420,933

These financial statements were approved by the Board of Directors and authorised for issue on 5 November 2013.

They were signed on its behalf by:

Mark A W Abbott

MANAGING DIRECTOR

Company registration number 06409716

Company Statement of Financial Position

AS AT 31 JULY 2013

	Notes	2013 £	2012 £
Non-current assets			
Property, plant and equipment	17	4,213	8,058
Investments	18	15,121,930	15,121,930
Total non-current assets		15,126,143	15,129,988
Current assets			
Trade and other receivables	20	1,091,633	104,836
Cash and cash equivalents	22	445,198	2,002,440
Total current assets		1,536,831	2,107,276
Current liabilities			
Trade and other payables	23	(1,054,547)	(1,445,714)
Net current assets		482,284	661,562
Total assets less current liabilities		15,608,427	15,791,550
Non-current liabilities			
Provisions	25	(38,568)	(44,952)
Net assets		15,569,859	15,746,598
Equity			
Share capital	26	13,278,754	13,219,233
Share premium	27	1,378,701	1,375,428
Merger reserve	28	2,357,816	2,357,816
Share based payment reserve		134,732	113,101
Retained earnings — deficit		(1,580,144)	(1,318,980)
		15,569,859	15,746,598

These financial statements were approved by the Board of Directors and authorised for issue on 5 November 2013.

They were signed on its behalf by:

Mark A W Abbott

MANAGING DIRECTOR

Company registration number 06409716

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 JULY 2013

	2013 £	2012 £
Cash flows from operating activities		
Loss before tax	(717,592)	(2,891,146)
Adjustments for:		
Depreciation and impairment of fixed assets	1,795,021	3,616,321
Exploration costs written off	23,298	33,668
Foreign exchange gains	(31,850)	(30,341)
Profit on disposal of property, plant and equipment	—	(21,472)
Profit on disposal of licence interest	(392,509)	—
Negative goodwill arising on acquisition	—	(405,652)
(Increase)/decrease in trade and other receivables	(1,734,501)	1,147,870
Decrease/(increase) in inventory	32,627	(22,831)
Increase/(decrease) in trade payables and other payables	413,768	(671,517)
Movement in provisions	69,779	(50,179)
Finance costs	129,876	134,245
Finance income	(3,789)	(8,134)
Share based remuneration charge	33,595	9,529
Cash (used in)/generated from operations	(382,277)	840,361
Interest paid	(150,377)	(103,836)
Taxation paid	—	—
Net cash flow (used in)/generated from operating activities	(532,654)	736,525
Investing activities		
Finance income	3,789	8,134
Payments for exploration and evaluation assets	(1,095,332)	(1,755,789)
Purchase of property, plant and equipment	(221,421)	(98,653)
Revenues from oil well testing	—	123,289
Sale of property, plant and equipment	—	512,110
Sale of intangible fixed assets	500,000	100,000
Net cash used in capital expenditure and investing activities	(812,964)	(1,110,909)
Financing activities		
Issue of shares	—	11,000
Repayment of short-term borrowings	(11,175)	(26,820)
Net cash flow used in financing	(11,175)	(15,820)
Net decrease in cash and cash equivalents	(1,356,793)	(390,204)
Cash and cash equivalents as at 31 July 2012	3,331,312	3,691,175
Effects of exchange rate changes on the balance of cash held in foreign currencies	31,850	30,341
Cash and cash equivalents as at 31 July 2013	2,006,369	3,331,312

In 2013 significant non-cash transactions comprised the issue of equity share capital as consideration for the renegotiation of the Mairy permit royalty arrangement.

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 2013

	2013 £	2012 £
Cash flows from operating activities		
Loss before tax	(273,128)	(264,128)
Adjustments for:		
Depreciation of plant and equipment	3,845	5,396
(Increase)/decrease in trade and other receivables	(907,702)	12,242
Decrease in trade payables	(346,293)	(23,424)
Share based remuneration charge	33,595	9,529
Movement in provision	(6,384)	(11,995)
Finance costs	100,377	100,000
Finance income	(2,421)	(4,182)
Cash used in operations	(1,398,111)	(176,562)
Interest paid	(150,377)	(103,836)
Net cash used in operating activities	(1,548,488)	(280,398)
Investing activities		
Finance income	2,421	4,182
Purchase of property, plant and equipment	—	(6,054)
Net cash generated from/(used in) capital expenditure and financial investment	2,421	(1,872)
Financing activities		
Issue of shares	—	11,000
Repayment of short-term borrowings	(11,175)	(26,820)
Net cash flow used in financing	(11,175)	(15,820)
Net decrease in cash and cash equivalents	(1,557,242)	(298,090)
Cash and cash equivalents as at 31 July 2012	2,002,440	2,300,530
Cash and cash equivalents as at 31 July 2013	445,198	2,002,440

In 2013 significant non-cash transactions comprised the issue of equity share capital as consideration paid on behalf of a subsidiary for the renegotiation of the Mairy permit royalty arrangement.

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 2013

	Share capital £	Share premium £	Share based payment reserve £	Retained earnings £	Total equity £
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
Loss for the year	—	—	—	(717,592)	(717,592)
Total comprehensive income for the year	—	—	—	(717,592)	(717,592)
Transfer of share option charge on lapse	—	—	(11,964)	11,964	—
Issue of ordinary shares (January 2013)	59,521	3,273	—	—	62,794
Share option charge	—	—	33,595	—	33,595
Balance at 31 July 2013	13,278,754	1,378,701	134,732	2,007,543	16,799,730

Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 JULY 2013

	Share capital £	Merger reserve £	Share premium £	Share based payment reserve £	Retained earnings £	Total equity £
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
Loss for the year	—	—	—	—	(273,128)	(273,128)
Total comprehensive income for the year	—	—	—	—	(273,128)	(273,128)
Transfer of share option charge on lapse	—	—	—	(11,964)	11,964	—
Issue of ordinary shares (January 2013)	59,521	—	3,273	—	—	62,794
Share option charge	—	—	—	33,595	—	33,595
Balance at 31 July 2013	13,278,754	2,357,816	1,378,701	134,732	(1,580,144)	15,569,859

Notes Forming Part of the Financial Statements

FOR THE YEAR ENDED 31 JULY 2013

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 the Group and the 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 prepared the accounts on the going concern basis which assumes that the Group will continue in operational existence without significant curtailment of its activities for the foreseeable future. Delays in receipt of production revenues from the Ceres field have resulted in a requirement for additional financial support to ensure that the Group is able to meet its liabilities as they fall due.

Forward cash flow forecasts assumed sustained revenue flow from the Ceres field. Receipt of revenue from the Ceres field is currently dependent on production from the associated Eris field due to the "back-out" arrangements. Whilst there is currently no evidence that sustained production from both fields over the period of the forecast is not realistic, the Directors acknowledge that, given historic production issues, some level of uncertainty exists in respect of the timing of future cash flows.

The Directors are progressing a number of asset transactions that if successfully concluded will realise cash. Negotiations in respect of these transactions are at an advanced stage but have not yet been concluded and cannot therefore be regarded as certain.

The Directors anticipate that additional funding could be generated through an equity fundraising if required. It is proposed that the Company's share capital be restructured to a par value of 1p at the forthcoming AGM to facilitate access to the equity markets given that the Company's shares are currently trading at or below par value; however, the success of any equity fundraising cannot be guaranteed.

After preparing cash flow forecasts, making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. However, the Directors have concluded that the combination of the circumstances outlined above represent a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern and that, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Were the Group no longer a going concern, adjustments may be required to the carrying value of assets, provision would be required for the future liabilities arising as a consequence of the Group ceasing business and assets and liabilities currently classified as non-current would be reclassified as current.

Adoption of new and revised standards

In the current financial year, the Group adopted the amendments to IAS 1 Presentation of Financial Statements revising the presentation of items of Other Comprehensive Income.

The adoption of this standard 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

2. Accounting policies (continued)

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)

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. Accrued revenue is recorded at the best estimate of the price that is expected to be achieved when the accrual reverses.

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.

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.

Notes Forming Part of the Financial Statements

CONTINUED

2. Accounting policies (continued)

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 total capitalised cost of the asset.

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.

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.

2. Accounting policies (continued)

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

Property, plant and equipment other than D&P assets are stated in the 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.

Financial instruments

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

Trade and other receivables are measured on 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.

Notes Forming Part of the Financial Statements

CONTINUED

2. Accounting policies (continued)

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit 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.

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 it 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.

2. Accounting policies (continued)

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:

- 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 16 and 17 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 9.

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.

Notes Forming Part of the Financial Statements

CONTINUED

2. Accounting policies (continued)

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.

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 2013 and for the year ended 31 July 2012.

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, 95% (2012: 73%) of oil sales in the year were made to one organisation and 5% (2012: 27%) 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, gas from the Group's producing field is sold to one customer. During the year, income was accrued in respect of gas production and it is expected that this income will be recovered from one customer. In the prior year, 51% of gas sales in the year were made to one organisation and 49% to a second organisation.

2013

	UK £	Europe £	Unallocated £	Total £
Revenue	3,341,419	—	—	3,341,419
Cost of sales — exploration costs written off and pre-licence costs	(29,846)	(22,631)	—	(52,477)
Cost of sales — impairments	(555,000)	—	—	(555,000)
Cost of sales — depreciation	(1,226,380)	—	—	(1,226,380)
Cost of sales — other	(1,723,163)	(153)	—	(1,723,316)
Total cost of sales	(3,534,389)	(22,784)	—	(3,557,173)
Gross loss	(192,970)	(22,784)	—	(215,754)
Other administrative expenses	(599,502)	(64,378)	(171,327)	(835,207)
Depreciation	(9,796)	—	(3,845)	(13,641)
Total administrative expenses	(609,298)	(64,378)	(175,172)	(848,848)
Other operating income	72,310	8,278	—	80,588
Profit on disposal of licence interest	392,509	—	—	392,509
Total	(337,449)	(78,884)	(175,172)	(591,505)
Finance income	1,368	—	2,421	3,789
Finance costs	(29,499)	—	(100,377)	(129,876)
Loss before taxation	(365,580)	(78,884)	(273,128)	(717,592)
Taxation	—	—	—	—
Loss for the period	(365,580)	(78,884)	(273,128)	(717,592)
Other segment information				
Non-current assets	13,353,240	2,454,455	4,213	15,811,908
Current assets	4,122,168	37,654	507,755	4,667,577
Current liabilities	(1,408,795)	(104,757)	(1,054,547)	(2,568,099)
Non-current liabilities	(919,021)	(154,067)	(38,568)	(1,111,656)
Net assets	15,147,592	2,233,285	(581,147)	16,799,730

3. Segmental information (continued)

2013

	UK £	Europe £	Unallocated £	Total £
Capital expenditure				
Intangible exploration and evaluation assets	838,976	375,033	—	1,214,009
Property, plant and equipment				
— oil and gas assets	260,827	—	—	260,827
— other	19,848	—	—	19,848
	1,119,651	375,033	—	1,494,684

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
	(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

Notes Forming Part of the Financial Statements

CONTINUED

4. Loss before taxation

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

	2013 £	2012 £
Auditor's remuneration (see note 6)	49,712	50,768
Depreciation	1,240,021	466,321
Impairments	555,000	3,150,000
Exploration and appraisal costs written off	24,639	33,668
Pre-licence costs expensed	27,838	57,170
Profit on disposal of property, plant and equipment	—	(21,472)
Foreign exchange gains	(31,850)	(30,341)
Share based payment charge	33,595	9,529
Operating lease rentals		
— land and buildings (in administrative expenses)	25,000	25,000
— leases on operational sites included within cost of sales	35,953	24,336

During the prior year 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 — profit on disposal of licence interest

During the course of the year the Group sold a 12.5% interest in licences PEDL237 and PLO90, excluding the Waddock Cross field development area, to Corfe Energy Limited ("Corfe") for a cash consideration of £500,000.

Under the terms of an Earn-In Agreement, Egdon will be able to earn back a 6.25% interest in both licences through paying 12.5% of costs which equates to the Earn-In costs and Corfe's costs. Egdon is entitled to opt out of the Earn-In obligation following completion of a 3D seismic programme over certain prospects on the above licences.

6. Auditor's remuneration

	2013 £	2012 £
Audit services:		
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	9,900	10,000
Other services:		
The auditing of financial statements of subsidiaries of the Company pursuant to legislation	35,550	36,600
All other services	4,262	4,168
Total audit and other services	49,712	50,768

7. Employee information

	2013 Number	2012 Number
The average number of persons employed by the Group in the year, including Executive and Non-Executive Directors, was:		
Management and administration	13	14
	2013 £	2012 £
Employee costs during the year amounted to:		
Wages and salaries	639,094	652,749
Social security costs	78,315	79,426
Share based remuneration charges	33,595	9,529
Pension costs	19,227	19,317
	770,231	761,021

8. Remuneration of Directors and key management

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

	2013 £	2012 £
Group and Company		
Directors' emoluments	360,000	326,500
Employer's national insurance contributions	43,392	36,694
Short-term employment benefits	403,392	363,194
Post-employment benefits	13,500	11,500
Share based remuneration charge attributable to Directors	23,739	5,274
	440,631	379,968

The emoluments and compensation of individual Directors were as follows:

	Salary and fees £	Bonus £	Medical £	Pension (note 10) £	Total 2013 £	Total 2012 £
M A W Abbott	150,000	—	2,396	7,500	159,896	162,139
P H P Stephens	37,500	—	—	—	37,500	39,178
K M Ratcliff	22,500	—	—	—	22,500	24,178
J G R Rix (resigned 8.12.2011)	—	—	—	—	—	6,950
W R Roberts	15,000	—	—	—	15,000	16,678
A Booth (resigned 9.3.2012)	—	—	—	—	—	10,273
J Field (appointed 9.12.2011)	120,000	—	2,526	6,000	128,526	88,217
A Lodge (appointed 9.3.2012)	15,000	—	—	—	15,000	6,656
	360,000	—	4,922	13,500	378,422	354,269

The emoluments of the highest paid Director excluding pension contributions were £152,396 (2012: £152,961).

Life policy and critical illness premiums of £6,876 (2012: £7,347) were paid in respect of the Managing Director and Directors' indemnity insurance premiums of £9,594 (2012: £10,070) were paid in respect of all Directors.

Notes Forming Part of the Financial Statements

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8. Remuneration of Directors and key management (continued)

Directors' share options outstanding at 31 July 2013 and at 31 July 2012

	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
M A W Abbott	10.00p	600,000	01/01/2013	01/01/2014
J Field	20.08p	298,804	01/02/2011	01/08/2013
J Field	12.42p	483,091	21/12/2011	01/01/2014
J Field	10.00p	600,000	01/01/2013	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 2013 as detailed below.

9. Share based payment plans

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

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

	Number at date of grant	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
Granted on 20 November 2012	791,750	20/11/2012	31/03/2022	10.00p	20/11/2013
Granted on 1 January 2013	1,200,000	01/01/2013	31/03/2022	10.00p	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 January 2013, November 2012 and 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	20/11/12	01/01/2013
Grant date share price (pence)	16.17	11.00	20.08	12.42	10.00	10.00
Exercise price (pence)	16.17	11.00	20.08	12.42	10.00	10.00
Expected volatility (%)	35	35	35	14	14	14
Option life (years)	2	2	2.5	3.5	9.25	9.36
Risk free interest rate (%)	5.5	5.5	0.5	0.35	0.36	0.36

9. Share based payment plans (continued)

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

Company and Group	2013 No.	2013 WAEP	2012 No.	2012 WAEP
Opening balance	3,414,955	13.91	3,031,864	14.05
Granted during the year	1,991,750	10.00	483,091	12.42
Forfeited during the year	(318,181)	11.00	—	—
Exercised during the year	—	—	(100,000)	11.00
Outstanding at 31 July 2013	5,088,524	12.56	3,414,955	13.91

The weighted average remaining contractual life of share options outstanding as at 31 July 2013 is 7.15 years (2012: 7.1 years). At 31 July 2013 2,314,879 (2012: 2,633,060) of the total number of share options outstanding could be exercised and these options had a weighted average exercise price of 13.82 pence (2012: 13.48 pence).

10. Defined contribution pension plan

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

The total cost in the year of £19,227 (2012: £19,317) represents the sum payable to the scheme by the Group at rates agreed in respect of participating employees.

11. Finance income

	2013 £	2012 £
Interest receivable on short-term deposits	3,789	8,134

12. Finance costs

	2013 £	2012 £
Unwinding of decommissioning discount	29,499	34,245
Interest payable on loan from EnCore Oil Limited	100,377	100,000
	129,876	134,245

13. Income tax

The major components of income tax expense for the years ended 31 July 2013 and 2012 are:

	2013 £	2012 £
a) Recognised in profit or loss		
Current income tax charge	—	—
b) A reconciliation between tax expense and the product of the accounting loss and the standard rate of tax in the UK for the years ended 31 July 2013 and 2012 is as follows:		
Accounting loss before tax from continuing operations	(717,592)	(2,891,146)
Loss on ordinary activities multiplied by the standard rate of tax of 23.67% (2012: 25.33%)	(169,854)	(732,327)
Expenses not permitted for tax purposes	16,249	55,467
Credit not subject to tax — negative goodwill arising on acquisition	—	(102,752)
Movement in unrecognised deferred tax assets	153,605	779,612
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 £28,792,162 (2012: £27,241,855) 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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13. Income tax (continued)

d) Deferred taxation

The Group has an unrecognised deferred taxation asset of £3,000,410 (2012: £3,435,686) at the year end, calculated at a rate of 20% which is the applicable rate at the time the net tax losses are expected to be utilised. This is represented by accumulated tax losses of £28,792,162 (2012: £27,241,855) offset by accelerated capital allowances of £13,780,110 (2012: £13,678,152).

14. Loss per share

	2013 £	2012 £
Loss for the financial year	(717,592)	(2,891,146)
Basic weighted average ordinary shares in issue during the year	132,498,908	130,965,660
	Pence	Pence
Basic loss per share	(0.54)	(2.21)
Diluted loss per share		
	2013 £	2012 £
Loss for the financial year	(717,592)	(2,891,146)
Diluted weighted average ordinary shares in issue during the year	132,498,908	130,965,660
	Pence	Pence
Diluted loss per share	(0.54)	(2.21)

The share options are not dilutive in 2013 or 2012 as a loss was incurred.

15. Losses attributable to Egdon Resources plc

The loss for the financial year dealt with in the financial statements of Egdon Resources plc was £273,128 (2012: £264,128). As permitted by Section 408 of the Companies Act 2006, no statement of comprehensive income is presented in respect of Egdon Resources plc.

16. Intangible fixed assets

	Exploration and evaluation costs £	Other intangibles £	Total £
Group			
At 1 August 2011	6,991,361	113,309	7,104,670
Arising on acquisition (note 18)	527,976	—	527,976
Additions	1,874,095	420	1,874,515
Reclassifications to 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
Additions	1,213,729	280	1,214,009
Reclassifications to D&P assets	(973,033)	—	(973,033)
Disposals	(13,741)	—	(13,741)
Exploration written off	(23,298)	—	(23,298)
At 31 July 2013	8,371,307	114,009	8,485,316
Net book value			
At 31 July 2013	8,371,307	114,009	8,485,316
At 31 July 2012	8,167,650	113,729	8,281,379
At 31 July 2011	6,991,361	113,309	7,104,670

16. Intangible fixed assets (continued)

The Group's unevaluated oil and gas interests at 31 July 2013 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 that the likely value of 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 prior year 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.

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.

17. Property, plant and equipment

Group	Development and production assets £	Equipment, fixtures and fittings £	Computer equipment £	Total £
Cost				
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 from intangible assets	(925)	—	—	(925)
Transfers	(56,998)	56,998	—	—
At 1 August 2012	11,829,965	61,684	98,248	11,989,897
Additions	260,827	19,848	—	280,675
Disposals	(2,362)	(49,838)	—	(52,200)
Reclassifications from intangible assets	973,033	—	—	973,033
At 31 July 2013	13,061,463	31,694	98,248	13,191,405
Depreciation				
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 1 August 2012	3,982,575	14,186	73,031	4,069,792
Charge for the year	1,226,380	—	13,641	1,240,021
Impairment charge	555,000	—	—	555,000
At 31 July 2013	5,763,955	14,186	86,672	5,864,813
Net book value				
At 31 July 2013	7,297,508	17,508	11,576	7,326,592
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

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17. Property, plant and equipment (continued)

The depreciation charge in the year includes an impairment charge of £555,000 relating to the Dukes Wood/Kirklington oil field. The charge is included within cost of sales. In the prior year, impairment charges relating to the Kirkleatham (£1,600,000) and Ceres (£750,000) gas fields were included within cost of sales in the consolidated statement of comprehensive income. The recoverable amounts are based on value in use assessed from forecast production over the life of the fields, oil prices per barrel of US\$100.36 to US\$104.08 (2012: gas price per therm of 55p–60p) and a discount rate of 8% (2012: 8%). In all 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.

Company	Computer equipment £
Cost	
At 1 August 2011	15,451
Additions	6,054
At 1 August 2012	21,505
Additions	—
At 31 July 2013	21,505
Depreciation	
At 1 August 2011	8,051
Charge for the year	5,396
At 1 August 2012	13,447
Charge for the year	3,845
At 31 July 2013	17,292
Net book value	
At 31 July 2013	4,213
At 31 July 2012	8,058
At 31 July 2011	7,400

18. Investments in subsidiaries

	Shares in subsidiary undertakings £	Loans to subsidiary undertakings £	Total £
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
Additions in year	—	—	—
Balance at 31 July 2013	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.

18. Investments in subsidiaries (continued)

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 prior 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 fair value of the net assets acquired at the date of acquisition was £527,976.

The negative goodwill of £405,652 represents the excess of the fair values of the assets less the liabilities acquired over the consideration.

19. Inventory

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Oil stock	—	32,627	—	—

20. Trade and other receivables

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Amounts falling due within 1 year				
Trade receivables	235,333	446,106	—	—
Amounts owed by subsidiaries	—	—	1,029,077	27,500
VAT recoverable	84,335	85,492	9,033	38,470
Other receivables	263,319	263,319	—	—
Prepayments and accrued income	2,028,221	65,489	53,523	38,866
	2,611,208	860,406	1,091,633	104,836

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 2013 no trade receivables were considered to be impaired (2012: £nil).

As at 31 July 2013 trade receivables of £185,762 (2012: £117,583) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2013	2012
Up to 3 months past due	24,027	8,286
3-6 months past due	26,953	17,589
Over 6 months past due	134,782	91,708
	185,762	117,583

Other receivables do not contain impaired assets.

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21. Available for sale financial assets

	Group 2013 £	Group 2012 £
At 1 August 2012	50,000	50,000
Additions	—	—
At 31 July 2013	50,000	50,000

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

22. Cash and cash equivalents

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Short-term bank deposits	1,559,546	2,906,313	406,603	2,004,182
Restricted cash at bank	205,058	204,648	—	—
Cash at bank	241,765	220,351	38,595	(1,742)
	2,006,369	3,331,312	445,198	2,002,440

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.

23. Trade and other payables

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Trade payables	342,845	404,033	1,043	68,469
Amounts due to subsidiaries	—	—	—	299,820
Other taxes and social security costs	23,831	—	23,831	—
Other payables	1,006,154	1,017,329	1,000,000	1,011,175
Accruals and deferred income	1,195,269	687,933	29,673	66,250
	2,568,099	2,109,295	1,054,547	1,445,714

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

Other payables includes £1,000,000 (2012: £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 2014 (2012: 28 January 2013).

Also included in other payables is £nil (2012: £11,175) due to The Carbon Trust. This loan was repayable via monthly instalments of £2,235. This loan was provided on an interest free basis.

24. 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.

24. Financial assets and liabilities (continued)

Credit risk

The credit risk on liquid funds is limited because the Group policy is to only deal with counterparties with high credit ratings and more than one institution is utilised to deposit cash holdings. At year end the Group had cash and cash equivalents of £2,006,369 (2012: £3,331,312) and the Company £445,198 (2012: £2,002,440). The balances at 31 July 2013 are held with two banks. Trade receivables comprise amounts due from trading entities and total £235,333 (2012: £446,106) for the Group and £nil (2012: £nil) for the Company (note 20). 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 £2,555,021 (2012: £4,090,737); Company £445,198 (2012: £2,002,440).

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 23, held at amortised cost, which total £2,568,099 (2012: £2,109,295). Of this balance, £1,052,450 (2012: £610,773) is due within one to two 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 £6,784 (2012: £7,701) 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:

	2013 £	2012 £
Cash at bank at floating interest rates	1,559,546	2,906,313
Restricted cash at bank	205,058	204,648
Cash at bank	241,765	220,351

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

An effective interest rate increase or decrease by 1% on the cash and cash equivalents balance at year end would result in a before tax financial effect of an increase or decrease in finance income of £20,064 (2012: £33,313).

The Group has interest bearing liabilities as disclosed in note 23. 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 2013 was £462,084 (2012: £657,926); Company £nil (2012: £nil). There were no financial liabilities denominated in foreign currencies at 31 July 2013 or 31 July 2012.

A 10% change in the sterling exchange rate would result in an increase or decrease of £46,208 (2012: £65,793) in profit before tax.

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 2013 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.

Revenue accrued in respect of production from the Ceres field has been recognised at a price of 56p per therm as an approximation to the selling price that might be achieved when the revenue is realised. If the gas price at the point of sale were to vary by +/- 10%, income recognised in respect of historic production would increase or decrease by £191,478.

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25. Provision for liabilities

Group	Other provisions £	Decommissioning provision £	Reinstatement provision £	Total £
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 1 August 2012	44,952	607,161	293,488	945,601
Provision created during the year	—	56,895	86,045	142,940
Paid during the year	(6,384)	—	—	(6,384)
Transfer of provision on reclassification to D&P assets	—	71,253	(71,253)	—
Unwinding of discount	—	28,605	894	29,499
At 31 July 2013	38,568	763,914	309,174	1,111,656
Company	Other provisions £	Decommissioning provision £	Reinstatement provision £	Total £
At 1 August 2011	56,947	—	—	56,947
Paid during the year	(11,995)	—	—	(11,995)
At 1 August 2012	44,952	—	—	44,952
Paid during the year	(6,384)	—	—	(6,384)
At 31 July 2013	38,568	—	—	38,568

At 31 July 2013 provision has been made for decommissioning costs on the productive fields at Kedlington, Kirkleatham, Ceres, Avington and Dukes Wood/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 2015 and 2021.

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, £6,784 (2012: £7,701) is estimated to be payable within one year.

26. Share capital and redeemable preference shares

	Allotted, called up and fully paid	
	Number	£
Ordinary share capital		
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
— Issue of new £0.10 ordinary shares	595,207	59,521
At 31 July 2013	132,787,543	13,278,754
	Allotted, called up and partly paid	
	Number	£
Redeemable preference shares of £1 each (classified as liabilities)		
At 31 July 2012	50,000	12,500
At 31 July 2013	50,000	12,500

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 21 January 2013, 595,207 10p ordinary shares were issued at a premium of 0.55p as consideration for variation of the royalty agreement in respect of the Mairy permit. Following this, 132,787,543 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.

27. Share premium reserve

During the year to 31 July 2013, 595,207 ordinary shares of 10p each were issued as consideration for the variation of the Mairy royalty agreement as above. At the date of issue the shares had a market value of £62,794 creating additional share premium of £3,273. This resulted in a closing share premium reserve carried forward of £1,378,701 (2012: £1,375,428).

28. 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.

Notes Forming Part of the Financial Statements

CONTINUED

29. Movements in cash and cash equivalents

	As at 31 July 2012 £	Cash flow £	As at 31 July 2013 £
Group			
Cash at bank and in hand	220,351	21,414	241,765
Term deposits	2,906,313	(1,346,767)	1,559,546
Restricted cash at bank	204,648	410	205,058
Cash and cash equivalents as per statement of financial position	3,331,312	(1,324,943)	2,006,369

	As at 31 July 2012 £	Cash flow £	As at 31 July 2013 £
Company			
Cash at bank and in hand	(1,742)	40,337	38,595
Term deposits	2,004,182	(1,597,579)	406,603
Cash and cash equivalents	2,002,440	(1,557,242)	445,198

30. Obligations under leases

At 31 July 2013 the Group had future minimum commitments under non-cancellable operating leases as follows:

	2013 £	2012 £
Within 1 year		
— Land and buildings	25,000	18,750
— Leases on operational and exploration and evaluation sites	55,920	64,643
	80,920	83,393

Included within leases on operational and exploration and evaluation sites is £8,475 (2012: £17,458) which is expected to be capitalised.

31. Capital commitments — tangible and intangible assets

Capital commitments of £nil (2012: £nil) 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 2013.

32. 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 2013 Pinnacle Energy Limited invoiced the Group £40,749 (2012: £60,730) for legal and consultancy services provided at commercial rates and agreed by the Directors of the Company. At the year end £39,057 was owing to Pinnacle Energy Limited (2012: £11,915).

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 to the Company, details of which are given in note 23.

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

	2013 £	2012 £
Time costs	156,174	180,081
Overhead recharged in accordance with Joint Operating Agreement	46,728	66,244
	202,902	246,325

The balances due from companies with interests in jointly controlled operations in respect of these transactions as at 31 July 2013 and 31 July 2012 are set out below:

	2013 £	2012 £
Due from companies with interests in jointly controlled operations	62,756	69,100

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:

	2013 £	2012 £
Invoiced to subsidiary companies	1,020,127	1,017,512

As at 31 July 2013 the balance due to Egdon Resources plc from its subsidiary undertakings was £6,063,901 (2012: £4,762,505) as shown in notes 18 and 20.

33. 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 (Executive Director)
Andrew Lodge (Non-Executive Director)
Kenneth Ratcliff (Non-Executive Director)
Walter Roberts (Non-Executive Director)

Registered Office:

The Wheat House
98 High Street
Odiham
Hampshire
RG29 1LP
5 November 2013

Dear Shareholder,

1. Introduction

Notice of the Company's forthcoming Annual General Meeting to be held on Thursday 5 December 2013 ("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 2013 (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 auditors (Resolution 2)

The Company is required at each general meeting at which accounts are presented to appoint auditors 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)

A third of the members of the Board are required to submit themselves for re-election each year and all are required to submit themselves for re-election at least once every three years. Ken Ratcliff and Walter Roberts are the Directors retiring by rotation this year and both are offering themselves for re-election. Brief biographical details of each of the Directors appear on page 18 of the Accounts.

Special Business

Share Capital Reorganisation

The mid-market price of the Existing Ordinary Shares as at the close of business on 4 November 2013 (the last practicable day prior to the publication of this letter) was 8.5p. The Ordinary Shares have since March 2012 largely been trading on AIM at a price below their nominal value of 10p per share. The issue of new shares by a UK company at a price below their nominal value is prohibited by UK company law and accordingly the ability of the Company to raise funds by way of the issue of further equity has been inhibited. Should the share price remain below the nominal value of the shares then the inability to raise additional funds by way of an equity issue will both constrain the Company's financial flexibility and lend an appearance of vulnerability to a potential predatory bidder.

Accordingly, the Directors are seeking shareholders' authority to implement the Share Capital Reorganisation to create a differential between the nominal value of the Ordinary Shares and their market price to facilitate future share issues.

To give effect to the Share Capital Reorganisation, the current articles of association of the Company will need to be amended to make changes to allow for the creation of the Deferred Shares arising on the Share Capital Reorganisation becoming effective. These amendments will also require shareholders' approval at the General Meeting.

Details of the proposed Share Capital Reorganisation and the proposed amendments to the articles are set out below as my comments on Resolutions 7 and 8, but Resolutions 5 and 6 need to accommodate the alternative outcomes of the shareholders' vote on the Share Capital Reorganisation.

The proposed timetable for the Share Capital Reorganisation, and the definitions used in relation to the Share Capital Reorganisation are set out on page 4 of this Letter.

Authority of Directors to allot shares (Resolution 5)

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 ("CA 2006"). Upon the passing of Resolution 5, pursuant to paragraph (A) of the Resolution, the Directors will have authority to allot shares up to a maximum of £4,426,251 (which represents approximately one-third of the current issued share capital as at 4 November 2013, being the latest practicable date before the publication of this Letter) or, following the Share Capital Reorganisation becoming effective, £442,625.10 (which will represent approximately one-third of the issued share capital following the Share Capital Reorganisation becoming effective).

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 5, 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 £4,426,251 (which represents approximately a further third of the current issued share capital as at 4 November 2013, being the latest practicable date before the publication of this Letter) or, following the Share Capital Reorganisation becoming effective, £442,625.10 (which will represent approximately a further third of the issued share capital following the Share Capital Reorganisation becoming effective). 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.

As a result, if Resolution 5 is passed, the Directors could allot shares representing up to two-thirds of the current issued share capital pursuant to a rights issue.

To the extent not already expired, the authorities conferred by Resolution 5 will expire immediately following the Annual General Meeting in 2014 or, if earlier, six months following the date to which the Company's next annual report and accounts are made up.

Disapplication of pre-emption rights (Resolution 6)

If the Directors wish to exercise the authority under Resolution 5 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 6 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 £3,983,629 (which represents approximately 30% of current issued share capital as at 4 November 2013, being the latest practicable date before the publication of this Letter) or, following the Share Capital Reorganisation becoming effective, £398,362.90 (which will represent approximately 30% of the issued share capital following the Share Capital Reorganisation becoming effective). If given, to the extent not already expired, the authorities conferred by Resolution 6 will expire on the conclusion of the Annual General Meeting in 2014 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 aimed predominantly at premium-listed companies on the Official 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.

Share Capital Reorganisation (Resolutions 7 & 8)

As at 4 November 2013, being the latest practicable date prior to the publication of this letter, the total issued share capital of the Company was £13,278,754.30 divided into 132,787,543 Existing Ordinary Shares.

In order to effect the Share Capital Reorganisation, the Existing Ordinary Shares of 10 pence will be subdivided into 1 New Ordinary Share of 1 penny each and 9 Deferred Shares of 1 penny each.

Terms used in this section of my letter to you and the timetable for the Share Capital Reorganisation appear at the foot of this letter.

Letter from the Chairman with Notice of Annual General Meeting

CONTINUED

Ordinary Shares

As a consequence of the Share Capital Reorganisation, each shareholder's holding of New Ordinary Shares will immediately following the Share Capital Reorganisation becoming effective be the same as the number of Existing Ordinary Shares held by them on the Record Date. Each shareholder's proportionate interest in the Company's issued ordinary share capital will remain unchanged as a result of the proposed Share Capital Reorganisation.

The New Ordinary Shares will continue to carry the same rights as are attached to the Existing Ordinary Shares.

The last day of trading on AIM in the Existing Ordinary Shares is expected to be 5 December 2013.

If approved, following the Share Capital Reorganisation, and assuming no further shares are issued between 4 November 2013 (being the latest practicable date prior to the publication of this letter) and the Record Time, the Company's issued ordinary share capital will comprise 132,787,543 New Ordinary Shares.

Assuming that the Share Capital Reorganisation is approved, existing share certificates representing Existing Ordinary Shares will continue to be valid in respect of the New Ordinary Shares. No share certificates will be issued in respect of the New Ordinary Shares.

Shareholders who hold their entitlement to Existing Ordinary Shares in uncertificated form through CREST are expected to have their CREST accounts adjusted to reflect their entitlement to New Ordinary Shares on 6 December 2013.

Deferred Shares

The Deferred Shares created will be effectively valueless as they will not carry any rights to vote or any dividend rights. In addition, holders of Deferred Shares will only be entitled to a payment on a return of capital or on a winding up of the Company after each of the holders of Ordinary Shares has received a payment of £10,000,000 on each such share. The Deferred Shares will not be admitted to trading on AIM and will not be transferable without the prior written consent of the Board. No share certificates will be issued in respect of the Deferred Shares, nor will CREST accounts of shareholders be credited in respect of any entitlement to Deferred Shares.

Changes to the Articles of Association (Resolution 8)

In connection with the Share Capital Reorganisation, the Company also proposes to amend its articles of association to include the rights and restrictions attaching to the Deferred Shares, as set out above.

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 8,912,074 ordinary shares (representing 6.71% of the Company's issued share capital as at the date of this Letter).

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 8,912,074 ordinary shares (representing 6.71 per cent. of the Company's issued share capital as at the date of this Letter). I have also received confirmation from Premier Oil Plc (39,200,000 ordinary shares 29.52%) that they intend to support the Share Capital Reorganisation.

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 5 December 2013. 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

SHARE CAPITAL REORGANISATION DEFINITIONS AND TIMETABLE

Definitions

AIM	the market operated by the London Stock Exchange;
AIM Rules	the rules for AIM companies as issued by the London Stock Exchange plc, from time to time;
Deferred Shares	the Deferred Shares of 1p each arising from the Share Capital Reorganisation having the rights set out in the New Articles;
Existing Ordinary Shares	the existing issued ordinary shares of 10p each in the capital of the Company;
New Articles	the articles of association of the Company as amended by Resolution 8 set out in the Notice of AGM;
New Ordinary Shares	the new ordinary shares of 1p each in the share capital of the Company resulting from the Share Capital Reorganisation;
Ordinary Shares	prior to the Share Capital Reorganisation, the Existing Ordinary Shares and, thereafter, the New Ordinary Shares;
Record Time	6 p.m. on 5 December 2013 (or any other time and date as the Directors in their absolute discretion may determine);
Share Capital Reorganisation	the proposed reorganisation to be effected by subdividing each Existing Ordinary Share into 1 New Ordinary Share and 9 Deferred Shares.

Expected Timetable

<i>Event</i>	<i>Date</i>
Latest time and date for receipt of Forms of Proxy for the Annual General Meeting	11.30 a.m. 3 December 2013
Time and date of Annual General Meeting	11.30 a.m. 5 December 2013
Latest time and date for dealings on AIM in Existing Ordinary Shares	5 p.m. 5 December 2013
Record Time for the Share Capital Reorganisation	6 p.m. 5 December 2013
New Ordinary Shares credited to CREST accounts	8 a.m. 6 December 2013

Notes

- Each of the times and dates in the above timetable is based on current expectations and is subject to change. If any of the above times and/or dates change, the revised times and/or dates will be notified to shareholders by announcement through a Regulatory Information Service.
- All references in this document to times are to London times.

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 Communications Limited, 107 Cheapside, London, EC2V 6DN, United Kingdom on Thursday 5 December 2013 at 11.30 a.m. for the purpose of passing the following resolutions, of which Resolutions 1 to 5 will be proposed as Ordinary Resolutions and Resolutions 6 to 8 will be proposed as Special Resolutions:

ORDINARY RESOLUTIONS:

1. To receive the report of the Directors and the audited accounts of the Company for the year ended 31 July 2013, 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 Ken Ratcliff as Director who retires pursuant to article 92 of the Company's articles of association and who, being eligible, offers himself for re-election.
4. To re-elect Walter Roberts as Director who retires pursuant to article 92 of the Company's articles of association and who, being eligible, offers himself for re-election.
5. To 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)

- (i) up to an aggregate nominal amount of £4,426,251; and
- (ii) subject to and with effect from the subdivision referred to in Resolution 7 in this Notice of Annual General Meeting (the "Share Capital Reorganisation") becoming effective, in substitution for the authority granted by sub-paragraph (A)(i) of this Resolution but without prejudice to any prior exercise of such authority, up to an aggregate nominal amount of £442,625.10; and

(B)

- (i) comprising equity securities (within the meaning of section 560 CA 2006) up to a further aggregate nominal amount of £4,426,251 in connection with an offer by way of a rights issue:
 - (1) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (2) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,
- (ii) subject to and with effect from the Share Capital Reorganisation becoming effective, in substitution for the authority granted by sub-paragraph (B)(i) of this Resolution but without prejudice to any prior exercise of such authority, comprising equity securities (within the meaning of section 560 CA 2006) up to a further aggregate nominal amount of £442,625.10 in connection with an offer by way of a rights issue:
 - (1) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (2) 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, in so far as they have not previously expired, expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or 31 January 2015, 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 RESOLUTIONS:

6. To consider and, if thought fit, to pass the following resolution as a special resolution:

THAT, subject to the passing of Resolution 5 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 5, 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 authorities granted under paragraph (B) of Resolution 5, by way of a right issue only):

- (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

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

(B) to the allotment (otherwise than under paragraph (A) of this Resolution 6):

- (i) prior to the Share Capital Reorganisation becoming effective, of equity securities up to an aggregate nominal amount of £3,983,629; and
- (ii) with effect from the Share Capital Reorganisation becoming effective, of equity securities up to an aggregate nominal amount of £398,362.90,

and shall, in so far as they have not previously expired, expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or 31 January 2015, 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.

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

THAT, subject to and conditional on the admission of the New Ordinary Shares (as defined below) to trading on the AIM Market of the London Stock Exchange plc becoming effective and on Resolution 8 set out in the notice of General Meeting being passed without amendment, each existing ordinary share of 10 pence each (each an "Existing Ordinary Share") that is in issue as at 6 p.m. on 5 December 2013 (or such other time as the Directors may determine) (the "Record Time") be subdivided into one ordinary share of 1 penny each (each a "New Ordinary Share") and 9 deferred shares of 1 penny each ("Deferred Shares"), each having the rights and being subject to restrictions set out in the articles of association of the Company as amended by Resolution 8 below.

Notice of Annual General Meeting

CONTINUED

8. To consider, and if thought fit, to pass the following resolution which is proposed as a special resolution:

That the existing articles of association of the Company be amended by:

(A) the addition in Article 2 of the following definition: ““Deferred Shares” means deferred shares of 1p each in the capital of the Company having such rights are stated as attaching thereto in Article 175”.

(B) the deletion of the definition “Ordinary Share” in Article 2 and its replacement with the following definition
““Ordinary Share” means an ordinary share of 1 penny each in the capital of the Company”;

(C) the addition of a new Article 175 as follows:

175 Deferred Shares

The rights attaching to the Deferred Shares shall be as follows:

- (i) The Deferred Shares shall confer no right to participate in the profits of the Company;
- (ii) on a winding-up or a return of capital, the assets of the Company available for distribution following the distribution of assets shall be applied in paying to the holders of the Deferred Shares the nominal capital paid up or credited as paid up on such Deferred Shares only after paying to the holders of the ordinary shares the nominal capital paid up or credited as paid up on the Ordinary Shares held by them respectively, together with the sum of £10,000,000 on each Ordinary Share;
- (iii) the holders of the Deferred Shares shall not be entitled to any further right of participation in the assets of the Company;
- (iv) the holders of the Deferred Shares shall not be entitled to receive notice of any general meeting of the Company or to attend, speak or vote at any such meeting;
- (v) the Deferred Shares shall not be listed on any stock exchange nor shall any share certificate be issued in respect of such shares. The Deferred Shares shall not be transferable except in accordance with Article 175 (viii)(b) below or with the written consent of the Board;
- (vi) the Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with or in priority to the Deferred Shares, and on such creation, allotment or issue any such further shares (whether or not ranking in any respect in priority to the Deferred Shares) shall be treated as being in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the Deferred Shares;
- (vii) the reduction by the Company of the capital paid up on the Deferred Shares and the cancellation of such shares shall be in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose and the Company shall be authorised at any time to reduce its capital (subject to the confirmation of the court in accordance with the CA 2006) without obtaining the consent of the holders of the Deferred Shares;

(viii) the Company has the irrevocable authority at any time to do all or any of the following without obtaining the sanction of the holder or holders of the Deferred Shares:

- (A) to appoint any person to execute on behalf of any holder of Deferred Shares a transfer of all or any part thereof and/or an agreement to transfer the same (without making any payment therefore to such person as the Directors may determine (whether or not an officer of the Company) and who is willing to accept the same;
- (B) to purchase all or any of the Deferred Shares in accordance with the CA 2006 Act without obtaining the consent of the holders thereof and in consideration of the payment to each of the holders whose shares are purchased of an amount equal to one penny in respect of all the Deferred Shares then being purchased by the Company;
- (C) for the purposes of any such purchase under Article 175 (viii)(b) above, to appoint any person to execute, as his or its attorney and agent, on behalf of any holder of Deferred Shares a contract for the sale to the Company of any such Deferred Shares held by him or it; and
- (D) to cancel all or any of the same so purchased under Article 175 (viii)(b) above in accordance with the CA 2006 Act."

Dated 5 November 2013

By Order of the Board

Walter Roberts
SECRETARY

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

Notice of Annual General Meeting

CONTINUED

Notes:

1. A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member. If a member wishes to appoint more than one proxy and so requires additional proxy forms, the member should contact Capita Asset Services 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 Asset Services at PXS, 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.
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 Asset Services at PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than 48 hours before the time of the holding of the meeting or any adjournment thereof. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
7. In accordance with the permission in Regulation 41(1) of The Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), only those holders of ordinary shares who are registered on the Company's share register at 1800 hours on 3 December 2013 shall be entitled to attend the above Annual General Meeting (or, in the case of an adjourned meeting, 1800 hours on the day which is two days before the adjourned meeting) and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 1800 hours on 3 December 2013 shall be disregarded in determining the rights of any person to attend and/or vote at the Annual General Meeting.
8. 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 Conduct 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 Conduct Authority.
9. 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

Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
London
E14 5RB

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 2013

Licences	Operator	Egdon Interest	Area km ²
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UK

1	PL090 (Waddock Cross)	Egdon Resources U.K. Limited	55.000%	19.00
	PL090	Egdon Resources U.K. Limited	48.750%	183.00
2	PEDL005 (remainder)	Egdon Resources U.K. Limited	75.000%	23.50
3	PEDL068	Egdon Resources U.K. Limited	40.000%	78.30
4	PEDL070	IGAS (Star Energy Group)	26.670%	36.00
5	PEDL118	Egdon Resources U.K. Limited	50.000%	10.60
6	PEDL126	Northern Petroleum Plc	10.000%	122.00
7	PEDL130	Egdon Resources U.K. Limited	100.000%	45.00
8	PEDL139	Dart Group	13.500%	100.00
9	PEDL140	Dart Group	13.500%	141.60
10	PEDL141	Seven Star Natural Gas Limited (Alkane Energy plc)	46.000%	100.00
11	PEDL143	Europa Oil and Gas Limited	38.400%	92.00
12	PEDL155	Northern Petroleum Plc	10.000%	52.80
13	PEDL180	Egdon Resources U.K. Limited	25.000%	100.00
14	PEDL181	Europa Oil and Gas Limited	25.000%	540.50
15	PEDL182	Egdon Resources U.K. Limited	33.330%	40.00
16	PEDL201	Egdon Resources U.K. Limited	32.500%	100.00
17	PEDL203	Egdon Resources U.K. Limited	50.000%	10.50
18	PEDL206	Egdon Resources U.K. Limited	75.000%	100.00
19	PEDL209	Egdon Resources U.K. Limited	60.000%	64.00
20	PEDL237	Egdon Resources U.K. Limited	48.750%	108.50
21	PEDL240	Northern Petroleum Plc	7.500%	7.20
22	PEDL241	Egdon Resources U.K. Limited	40.000%	110.00
23	PEDL253	Egdon Resources U.K. Limited	54.000%	190.00
24	PEDL256	NP Weald Limited	7.500%	45.00
25	P.1241	Centrica Energy	10.000%	85.50
26	P.1916	NP Solent Ltd	7.500%	46.00
27	P.1929	Egdon Resources U.K. Limited	100.000%	363.00

FRANCE

28	St Laurent	Egdon Resources France Limited	33.423%	507.00
29	Pontenx	Egdon Resources France Limited	50.000%	169.00
30	Mairy	Hess Oil France	15.000%	255.00
	Awaiting Award			
	Donzacq	eCORP France Limited	33.423%	218.00
	Back-in interest			
	Gex	eCORP France Limited	6.000%	932.00
	Navacelles	eCORP France Limited	9.000%	216.00
	Gex-Sud (awaiting award)	eCORP France Limited	6.000%	1991.00



