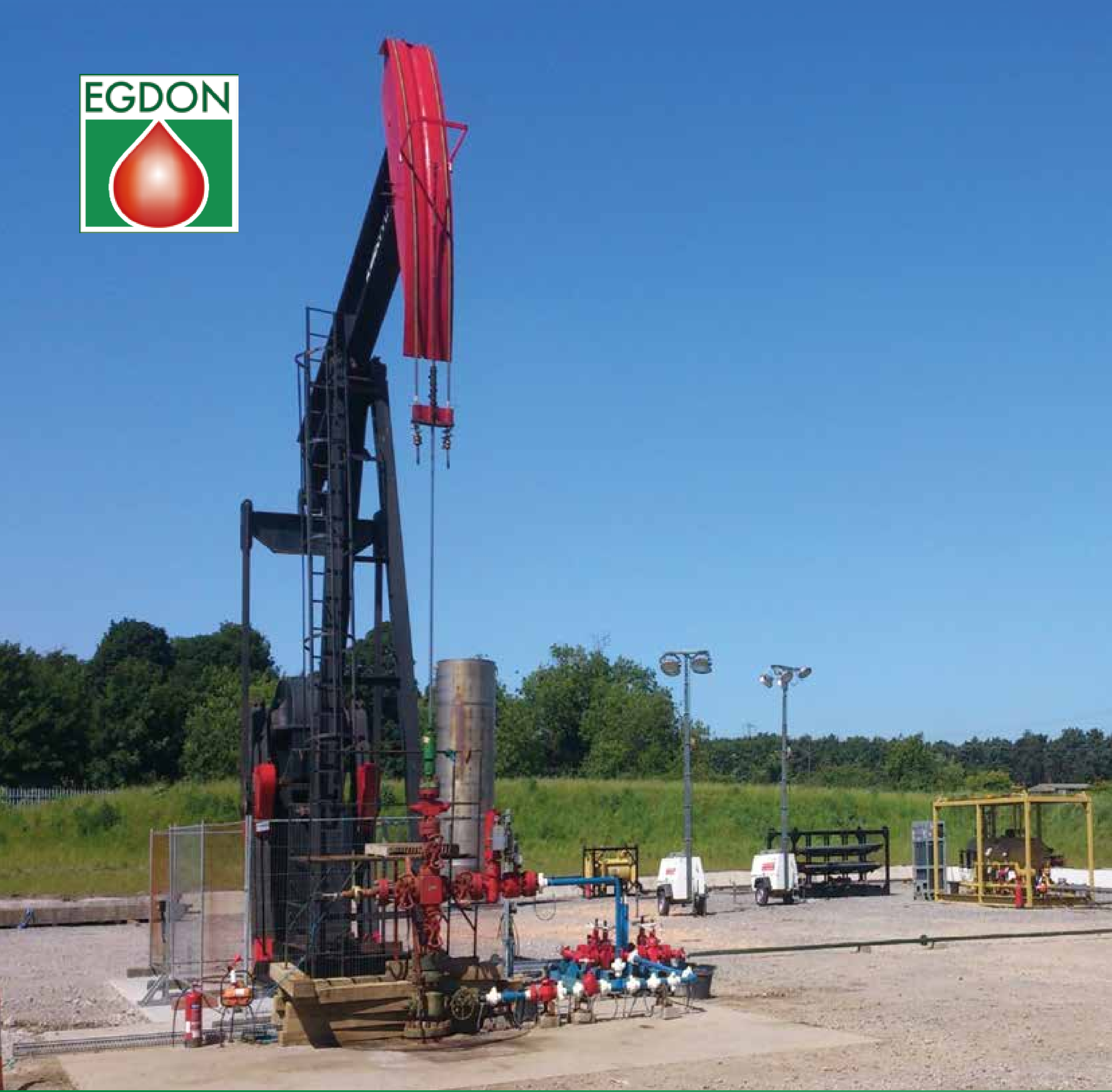
EGDON RESOURCES plc

Annual Report and Financial Statements
for the year ended 31 July 2016



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WELCOME TO

Egdon Resources plc

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

- An established UK focused oil and gas exploration and production business with 43 licences in proven oil and gas producing basins
- A balanced portfolio of production, development, appraisal and exploration projects in conventional and unconventional hydrocarbons placing the Company in a strong position for growth
- A proven operator with an experienced and respected management team
- A firm commitment to safety, environmental and social responsibility in all aspects of operations

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www.egdon-resources.com

Overview

Highlights

Operational and Corporate Highlights

- Production up 2% to 64,604 barrels of oil equivalent ("boe") equating to 177 barrels of oil equivalent per day ("boepd") and in line with guidance (2015: 63,149 boe; 173 boepd)
- Decision to proceed with Wressle field development with anticipated first production of 125 bopd net to Egdon in early 2017, subject to receipt of all required consents
- Successful in the 14th Onshore Licensing Round with the award of nine new licences within Egdon's core focus areas increasing our net unconventional resources acreage by 43% to 200,000 acres
- Submission of Springs Road planning application in PEDL139/140 by operator IGas. Egdon is carried on up to two wells by Total and a planning decision is now expected during November
- Positive Holmwood planning decision received (PEDL143), operator Europa making preparations to drill the prospect located immediately to the west of and analogous to the Horse Hill oil discovery. Egdon is carried on the initial well by UK Oil and Gas Investments plc
- Farm-outs concluded for PEDL005R (Keddington), PEDL209 (Laughton) and PEDL182 (Broughton North Prospect)
- Completed drilling of sidetrack development well at Keddington-5 and exploration well at Laughton-1 (dry hole) fulfilling earn-in obligation to PEDL209

Financial Highlights

- Oil and gas revenues during the period of £1.59 million (2015: £2.07 million)
- Loss for the period of £2.69 million for the year-ended 31 July 2016 after net write downs and impairments of £0.72 million (2015: loss of £4.47 million after net write downs and impairments of £3.62 million)
- Basic loss per share of 1.21p (31 July 2015: basic loss per share of 2.02p)
- Cash at bank £2.68 million as at 31 July 2016 31 July 2015: £5.18 million)
- Net current assets as at 31 July 2016 of £4.18 million (31 July 2015 £7.18 million)
- Net assets as at 31 July 2016 of £29.43 million (31 July 2015: £32.05 million)

Post Balance Sheet Events

- Completed the acquisition of a further 20% in PEDL068 in the Cleveland Basin
- Agreed the acquisition of additional interests in two new 14th Round licences, (PEDL306 and PEDL334) in the Company's core East Midlands area
- Independent assessment reported an addition of mean undiscovered Gas Initially in Place ("GIIP") of 20 Trillion Cubic Feet ("TCF") to the Company's previously assessed resource base primarily as a result of success in the 14th Licensing Round, resulting in 71% increase to a new total mean undiscovered GIIP of 48 TCF

The Directors have identified three key near-term strategic objectives to drive shareholder value:

A continued focus on maximising production rates, revenues and profitability from existing producing assets through targeted investment

Growing the Company's exposure to exploration opportunities in Northern England

Adding additional reserves/revenues through an active conventional resources drilling programme whilst managing risk and financial exposure through farm-outs

Chairman's Statement

Philip Stephens
Chairman

Against a challenging industry backdrop, characterised by continuing weakness in the oil price and reduced investment across the sector, I am pleased to be able to report that we have continued to make careful progress across all areas of the business whilst managing our available resources. Highlights during the period have included:

14th Round Success: Egdon was very successful in this highly competitive licensing round with the award of nine new licences, of which four are operated. The new licences contain a mixture of conventional and unconventional resource potential. Subsequent to year-end we have also increased our equity in two of these new licences. Overall Egdon's net unconventional resources acreage has increased by over 43% to approximately 200,000 acres (809 km^2). Egdon has thereby further consolidated its position as the second largest publicly quoted company in terms of UK unconventional resources acreage.

Wressle Development: A Competent Person's Report has been completed, a Field Development Plan lodged with the Oil and Gas Authority, and planning and Environmental Permit consents are awaited for the development of the Wressle oil field. Production is expected to commence in early 2017 at initial rates of c. 500 bopd from the Ashover Grit (125 bopd net to Egdon).

Springs Road Planning: Egdon holds a 14.5% carried interest in IGas operated PEDL139 and PEDL140 where a planning application for a vertical stratigraphic well and subsequent horizontal well at Springs Road is to be decided by Nottinghamshire County Council in November following the adjournment of a meeting on 5 October 2016 to consider legal representations.

Holmwood Prospect: Planning permission was granted during the period for the drilling of the Holmwood conventional oil prospect in PEDL143 where Egdon holds an 18.4% carried interest. Operator Europa Oil & Gas has advised that it intends to drill the well during 2017.

Portfolio Management: In a tight market, we have carefully managed our cash resources and exposure to risk through farm-outs, with deals concluded for the Keddington-5 (PEDL005R) and Laughton-1 (PEDL209) wells which were drilled during the period, and for PEDL182. We have taken a conservative approach to cash management and have delayed certain activity subject to farm-outs or a recovery in cash-flow from production.

Financial and Statutory Information

Revenue from oil and gas production during the year was down 23.3% to £1.59 million (2015: £2.07 million) on production of 64,604 barrels of oil equivalent ("boe") a 2% increase from 2015 (63,149 boe).

The Group recorded a loss of £2.69 million for the year-ended 31 July 2016, reduced by 40% compared to 2015, after write downs, pre-licence costs and impairments of £0.72 million on Keddington and Waddock Cross (2015: loss of £4.47 million after write downs, pre-licence costs and impairments of £3.62 million).

The Group has maintained a focus on managing Cash resources and at year-end had net current assets of £4.18 million (2015: £7.18 million) of which £2.68 million was cash (2015: £5.18 million).

The Group remains debt free.

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

UK Regulation

The UK government remains supportive of the potential role of shale-gas in the country's future energy mix and important progress has been made with oil and gas regulation during the period.

UK

The Company relinquished one licence during the period (PEDL237) and at year-end held interests in 32 UK Licences (2015: 33). Following the post year-end issue of the 14th Round licence documentation. Egdon holds interests in a total of 41 UK licences at the date of this report.

UK Unconventional Resources

Egdon has built a significant unconventional resources acreage position in Northern England through a series of targeted acquisitions, farm-ins and success in the 14th Round. Egdon now holds a material interest in a number of key prospective basins including the Gainsborough Trough, the Widmerpool Gulf, the Cleveland Basin and the Humber Basin.

We have also published the results of an independent assessment of our estimated shale-gas resources for the new 14th Round licence awards and other selected licences. This assessment reports a mean of 20 Trillion Cubic Feet ("TCF") of undiscovered Gas Initially In Place ("GIIP") which when added to the existing 28 TCF assessed in 2014, represents an increase of 71% to a total of 48 TCF.

We await a decision on planning permission to drill the potentially play-opening Springs Road-1 and 2 wells (Egdon interest 14.5% carried) in the Gainsborough Trough in Nottinghamshire. Subject to receipt of the necessary consents, 2017 could see the drilling of these key shale-gas exploration wells for Egdon.

In line with our stated strategy, we will look to introduce a funding partner or partners into some of our Northern England licensed acreage during the coming year. We have confidence that the investment case for unconventional resource exploration in the UK remains strong.

More widely in the sector, Cuadrilla has received planning permission following a public enquiry to drill and fracture four wells at the Preston New Road site in Lancashire, and Third Energy was granted planning permission to undertake fracturing and testing at Kirby Misperton in North Yorkshire, although the latter is currently subject to a judicial review.

Conventional Resources Exploration and Appraisal

There is significant potential for growth via exploration and appraisal drilling within our existing exploration portfolio. The lower capital and operating costs associated with onshore UK developments mean that new projects remain commercially attractive even with lower commodity prices. However, the pace of our exploration drilling activity is in part dependent upon successful farm-outs as we look to manage carefully our cash resources and technical risk.

In Weald Basin licence PEDL143, the Company's interest in the Holmwood well is fully carried. The operator Europa Oil & Gas has advised that this well could be drilled during 2017 and will target a prospect that is adjacent and analogous to that successfully tested by the 2015 Horse Hill discovery well.

Following reduction in offshore costs, we are reviewing offshore appraisal and development options for the "A" Prospect gas discovery offshore from the North Yorkshire Coast, before deciding whether to seek planning consent for an onshore-to-offshore well from the Staintondale location where a 14th Round licence has now been awarded.

Egdon's operated exploration drilling activity will be focused in Northern England during the coming period with potential wells at Biscathorpe and North Kelsey (partly subject to further farm-out or funding) forming the next phase of our planned conventional drilling programme after both licences were extended to the end of June 2017.

Production

Production during the period was from Ceres, Keddington and Avington, and at 177 boepd (2015: 173 boepd) was in line with our guidance of 180 boepd.

Subject to receipt of all consents, Wressle is expected to add 125 bopd to Egdon's daily production during the second half of the 2016–17 financial year.

Chairman's Statement continued

France

We have further reduced our commitments in France as we focus resources on our high potential UK assets.

Outlook

Production guidance for the period is 165 boepd. This will be weighted to the second six months of the financial year (225 boepd) when we anticipate that Wressle will impact on production and revenues.

Our main operational focus during the coming period will be:

- Bringing the Wressle-1 discovery into commercial production
- Progressing towards the drilling of the "A" Prospect and introducing a funding/technical partner
- Drilling of Holmwood-1 where we are fully carried
- Farming-out North Kelsey and Biscathorpe to enable drilling in H1 2017
- Progressing with the evaluation of the 14th Round licences

This period could see several unconventional resource exploration wells drilled and tested in the UK which will, if successful, focus investor attention on listed companies active in the UK such as Egdon. Amongst these will hopefully be the Springs Road wells, key to providing information towards de-risking and evaluating the potential of Egdon's unconventional resources acreage within the Gainsborough Trough.

We will continue to manage our cash resources and exposure to risk carefully through farm-outs and disposals of non-core assets and will continue the process of focussing on higher potential projects. As always, we will continue to review opportunities which could grow the business and add shareholder value.

We believe that the fundamentals of the business are robust with the Company being debt free, holding a range of assets with excellent potential for both conventional and unconventional resources in a location and jurisdiction which remains commercially attractive even under lower commodity prices, and a cash position allowing us to deliver on our near-term strategy.

Finally, and as ever, I would like to thank our shareholders for their continued support and acknowledge the continuing efforts of our small, hardworking and professional team.

Philip Stephens
Chairman
31 October 2016

OVERVIEW

Operating Review

Mark Abbott
Managing Director

I am pleased to update shareholders with a more detailed review of our assets, operations and plans with a focus on progress against our strategy, key priorities, risks and potential growth drivers. Our website (www.egdon-resources.com) provides details of all of our assets and operations.

UK Unconventional Resources

The government recognises the important role shale-gas could play in the UK's future energy mix and progress has been made with regulation during the period, including clarification on targets for planning applications, the introduction of secondary legislation in relation to protected areas under the Infrastructure Act 2015, and the announcement of a consultation on a Shale Wealth Fund. However, the timeline for gaining consents remains one of the main challenges and risks in relation to the development of our unconventional resources assets. We firmly believe that the UK has the strong regulatory regime in place to enable the many benefits of indigenous gas (security of supply, jobs, taxation, etc.) to be realised safely and with minimum environmental impact and that, as an industry, we need to continue to make our case at a local and national level.

Our strategic objective is to grow the Company's exposure to shale-gas and shale-oil exploration opportunities in Northern England. We have made good progress against this objective, increasing our total acreage by c. 43% to 200,000 net acres (2015: 140,000 net acres) and having updated the independent estimate of mean net undiscovered gas initially in place by 71% from 28 TCF to 48 TCF (ERCEquipoise reports of 2014 and 2016).

The key to this increase has been the successful award of seven new 14th Round licences which contain unconventional resource potential. The licences are located in the East Midlands Petroleum Province and the Cleveland Basin and expand the Company's acreage and opportunity base within these two core areas.

In the Gainsborough Trough Egdon was awarded a 15% interest in three new licences PEDL273, PEDL305 and PEDL316 in a consortium operated by IGas (35%) with partner Total (50%).

In the Widmerpool Basin the Company was awarded an 18.75% operated interest in PEDL306 located to the west and north-west of our existing licence PEDL201. Following the award Egdon has been able to increase its interest to 30% through the acquisition, at no cost, of an additional 11.25% interest from withdrawing party Celtique Energie Petroleum Limited ("Celtique"). The other joint venture partners are now Petrichor Energy UK Limited ("Petrichor", 20%), Hutton Energy Limited (25%) and Coronation (Oil and Gas) Limited (25%).

In the Humber Basin Egdon was awarded a 37.5% operated interest in PEDL334. Again Egdon was able to increase its interest to 60% through the acquisition, at no cost, of an additional 22.5% interest from Celtique and is now partnered solely by Petrichor (40%).

In the Cleveland Basin Egdon was awarded two new licences PEDL259 and PEDL343. PEDL259 surrounds part of PEDL068 in Teesside, which contains the Kirkleatham conventional gas field and where Egdon has increased its interest to 68% through the acquisition of a 20% interest from Dess Energy Limited (page 9). Egdon will hold a 49.99% interest in the new licence which is operated by Third Energy UK Gas Limited (50.01%). PEDL343 contains the Cloughton tight gas discovery (Bow Valley, 1986) and is located around 10km north of Scarborough. Egdon has been awarded a 17.5% interest in the licence which is operated by Third Energy UK Gas Limited (20.0%) with additional consortium members Europa Oil & Gas Limited (22.5%), Shale Petroleum (UK) Limited (22.5%), Petrichor (12.5%) and Arenite Petroleum Limited (5.0%).

Operating Review continued

Initial activity on Egdon's 14th round licences will involve review and reprocessing of the existing seismic and well data with new seismic acquisition (2D and 3D) and drilling following in later years.

14th Round model terms have been adopted for licences PEDL209, PEDL169, PEDL191, PEDL201 and PEDL202 during the period which has enabled them to continue without further relinquishment.

The Gainsborough Trough is a key focus area for Egdon. We now expect Nottinghamshire County Council to determine the planning application for the potentially play-opening Springs Road-1 and 2 wells later in November. The initial well will be vertical to enable the acquisition of core and modern log data from the key shale intervals with the second horizontal well to confirm the lateral extent of the shale. Egdon's share (14.5%) of the cost of these wells is carried by Total under the terms of their farm-in to the PEDL139/140 licences originally announced in January 2014. Subject to receipt of the necessary consents, 2017 could see the drilling of these key shale-gas exploration wells.

Conventional Resources Exploration and Appraisal

Our strategy is to add additional reserves and revenues through an active UK conventional resources drilling programme, whilst managing technical risk and financial exposure through farm-out and deal-making. We have made progress during the year, although we have managed the pace of drilling to match our available resources.

The lower capital and operating costs associated with onshore UK developments means that exploration prospects remain commercially attractive even under lower commodity price assumptions.

UK

The Company has continued to execute its strategy of managing financial exposure and risk, and of focusing on fewer potential projects by means of disposals, relinquishments, or farm-outs as appropriate. Egdon concluded farm-outs on PEDL005R, PEDL182 and PEDL209 during the year. The Company relinquished one licence during the period (PEDL237) and at year-end held interests in 32 UK Licences (2015: 33). Following the post year-end issue of the 14th Round licence documentation. Egdon holds interests in a total of 41 UK licences at the date of this report.

Out of the Company's total Best Estimate of Prospective and Contingent Resources of 631 millions of barrels of oil equivalent ("mmboe") (2015: 459 mmboe) the conventional assets comprise of 55 mmboe (2015: 103 mmboe). This reduction in conventional resources reflects the relinquishment made during the period, unsuccessful exploration at Laughton and re-evaluation of our Wessex Basin prospects.

Two operated wells were drilled by Egdon during the year; Laughton-1 and Keddington-5. The Laughton-1 exploration well (PEDL209) was drilled in the first quarter of 2016 to a total depth of 1,700m. During drilling, the well recorded hydrocarbon shows from a number of potential reservoir sequences. However, analysis indicated these were not sufficiently encouraging to warrant testing so the well was plugged and the site has subsequently been restored to farmland. The Silkstone Rock primary objective was poorly developed in the well. Keddington-5 is discussed in the Production section on page 10.

A decision was made in late 2015 to proceed with the development of the Wressle Oil Field in PEDL180 and PEDL182 (Egdon 25%, operator) and efforts through much of the period have concentrated on gaining the required consents. A Field Development Plan has been submitted to the Oil and Gas Authority ("OGA"). A Competent Persons Report ("CPR") for Wressle published in September evaluated Gross Mean Discovered Stock Tank Oil Initially In Place ("STOOIP") of 14.18 mmbls in aggregate across three reservoir sands (Ashover Grit, Wingfield Flags and Penistone Flags) of which 2.15 mmbls is classified as discovered (2P + 2C). Gross 2P reserves for the Ashover Grit and Wingfield Flags are 0.62 mmbls of oil and 0.2 bcf of gas (net Egdon 0.15 mmbls and 0.05 bcf respectively) with 2C Contingent Resources of 1.53 mmbls and 2.0 bcf of gas for the Penistone Flags reservoir (net Egdon 0.38 mmbls and 0.5 bcf respectively). We expect the North Lincolnshire Council planning committee to determine the planning application during November with the variation to the Environmental Permit to follow from this. Subject to receipt of the required consents it is anticipated that installation of permanent production facilities and recompleting the well for production would commence early in 2017. The recompletion operations will include operations designed to optimise oil production from the Ashover Grit by mitigating for the skin effect observed on test. These operations may include the use of mud acid and/or a proppant squeeze. Initial production rates of c. 500 bopd are anticipated from the Ashover Grit (125 bopd net to Egdon) with oil from the Wingfield Flags reservoir to be commingled once the well is recompleted for pumped production, currently expected during 2018. Detailed plans for the development of the Penistone Flags reservoir will follow in due course.

We were advised In August 2015 of the successful planning appeal for the Holmwood-1 exploration well and in September 2015 received the final planning approval for the directional well path. Egdon has farmed-out an interest in PEDL143 to UK Oil and Gas Investments plc. Holmwood is estimated by the operator, Europa Oil and Gas, to hold gross mean unrisked prospective resources of 5.6 mmbls of oil (net Egdon 1.03 mmbls) and is located just 12 kilometres from, and on trend with, the Horse Hill-1 discovery. A two year extension has been granted by the OGA extending the licence term to October 2018. Egdon is fully carried on the Holmwood well which is currently expected to be drilled during 2017.

A continued focus for the Company during the coming period will be the "A" Prospect in UK offshore licence P.1929, located adjacent to the North Yorkshire coast. Egdon's current evaluation of this 1966 Total gas discovery indicates the potential for the prospect to contain mean Prospective Resources of 164 bcf of gas. The initial term of the licence has been extended by the OGA for two years to 19 April 2019. Given the reduction in offshore costs and current onshore planning timelines and restrictions, the Company is currently reviewing offshore appraisal and development options and costs before deciding whether to seek planning consent for an onshore-to-offshore well from the Staintondale location where 14th Round licences covering the potential well site (PEDL258 and PEDL343) have now been awarded. We continue to focus on introducing a funding and technology partner for this project.

Elsewhere in the Cleveland Basin the Company has post year-end, acquired an additional 20% interest in PEDL068, which contains the currently shut-in Kirkleatham gas field, from DESS Energy Limited ("DESS") bringing our total interest in the licence to 68%. As consideration for this acquisition, Egdon will bear DESS's retained 20% share of ongoing expenditure until January 2017 and accept liability for DESS's 20% share of the existing abandonment cost for the Kirkleatham well and site. Egdon estimate that this transaction adds approximately 1.75 bcf of Best Estimate Contingent and Prospective Conventional Resources to its portfolio. Planning consent has been extended for Kirkleatham during the year and allows for drilling and production from a further two wells at the site. The licence also contains the Westerdale/Ralph Cross gas discovery where planning consent is in place for an appraisal well. Exploration to date has concentrated on Permian age limestone gas plays but PEDL068 and the surrounding 14th Round licence PEDL259 also contain prospectivity for gas in deeper Carboniferous age sandstones.

In the 14th Round Egdon was awarded a 75% operated interest in East Midlands licence PEDL339 along with partners Terrain Energy Ltd (15%) and Nautical Petroleum Ltd (10%). This licence contains an extension of the Louth Prospect from adjacent PEDL005R. As part of the farm-out announced in July 2015 Egdon will transfer a 10% interest in this licence to Union Jack Oil plc subject to OGA consent. As consideration Union Jack will carry, on behalf of Egdon, a further 10% of the cost of an exploration well to test the Louth prospect which has gross un-risked Best Estimate Prospective Resources of c. 1.4 mmbls.

Egdon's planned operated conventional exploration drilling activity during 2017 comprises wells at Biscathorpe and North Kelsey. Both PEDL241 (North Kelsey) and PEDL253 (Biscathorpe) licences have been extended by the OGA to 30 June 2017. We continue to look to introduce a further funding partner at both Biscathorpe and North Kelsey where we have planning approvals in place.

Managing Director's Operating Review continued

France

At year-end Egdon held interests in two permits (both pending renewal) in France (2015: 3) and has completed the final plugging and restoration of the Grenade-3 well and site and awaits the final statutory approvals. Our main remaining asset in France is the Pontenx Permit which contains the Pontenx oil discovery and Mimizan Nord shut-in oil field.

Production

Our strategy of maximising production rates, revenues and profitability from existing producing assets has been impacted by the low commodity prices during the period. Production during the period from Ceres, Keddington and Avington averaged 177 boepd (2015: 173 boepd), in line with our target of 180 boepd.

Ceres continues to produce ahead of expectation at rates of around 0.7-0.8 mmcfg/d (c. 117-135 boepd) net to Egdon. The field was shut-down for annual maintenance during early September 2016. On re-start Mercury has displaced Ceres production to enable back-out gas to be recovered from Mercury with production expected to continue for the next period with Ceres production resuming on recovery of the back-out gas volume. Production rates and volumes from Ceres have exceeded expectation and additional pressure support is being observed indicating a larger GIIP may be accessed. This will be evaluated further in the coming months.

The Keddington-5 sidetrack did not add the expected increment in oil production and a full review of options to increase field production is currently underway. Keddington field rates are currently c. 25 bopd from the Keddington-3Z well. At Avington the intermittent production trials have now concluded and continuous production has resumed with rates averaging c. 60-65 bopd (c. 15-17 bopd net to Egdon). As discussed production from Wressle is now targeted for 2017 with initial rates of 125 bopd net to Egdon.

The Company is actively reviewing options to re-establish production at Waddock Cross and continues to assess the long term plans for shut-in fields at Dukes Wood/Kirklington and Kirkleatham.

Outlook

Production for the coming period will be weighted to the second six months of the financial year when Wressle is expected to impact positively on production and revenues. Management production guidance for the coming financial year is 165 boepd.

In addition to bringing Wressle onto production, the main operational objectives for the coming period will include the drilling of Holmwood-1 where we are fully carried, farming-out and drilling North Kelsey-1 and Biscathorpe-2 during 2017, completing the review of onshore versus offshore drilling of the "A" Prospect, introducing a funding/technical partner and progressing with drilling plans, and progressing with the evaluation of the 14th Round licence awards.

Despite the recent improvement in oil price to around $50 / bbl, the macro-economic conditions are expected to remain challenging for the oil and gas sector for the foreseeable future. However, we remain confident in the quality of our portfolio of assets and optimistic in our ability to deliver value for our shareholders.

I would like to record my thanks for the continued efforts of the small but professional and committed team at Egdon who continue to work hard on behalf of shareholders.

Mark Abbott
Managing Director
31 October 2016

STRATEGY & OPERATIONS

Oil and Gas reserves and Resource estimates

Class of reserve/resource	Proven	Proven + probable	Proven + probable + possible	Units	Field/Prospect Name
Net Oil Reserves	0.23	0.49	0.87	MMbbls	Wressle, Keddington, Avington, Dukes Wood/Kirklington, Waddock Cross phase 1
	Low Estimate	**Best Estimate**	**High Estimate**		
Net Oil Contingent Resources	0.65	1.74	4.21	MMbbls	Wressle (Penistone), Waddock Cross phase 2, Pontenx
Net Oil Prospective Resources (conventional)	8.81	26.78	59.06	MMbbls	Louth, North Kelsey, Biscathorpe, Pontenx, Casterbridge/Broadmayne and others
Total Net Oil Prospective Resources	8.81	26.78	59.06	MMbbls	

Class of reserve/resource	Proven	Proven + probable	Proven + probable + possible	Units	Field/Prospect Name
Net Gas Reserves	0.86	1.27	1.97	Bcf	Ceres, Nooks Farm, Wressle
	Low Estimate	**Best Estimate**	**High Estimate**		
Net Gas Contingent Resources	4.11	6.46	9.67	Bcf	Kirkleatham, Keddington Namurian, Westerdale, Wressle (Penistone)
Net Gas Prospective Resources (conventional)	72.37	151.50	299.94	Bcf	"A" Prospect, North Somercotes and others
Net Gas Prospective Resources (unconventional)	1,107.84	3,458.49	10,586.52	Bcf	UK Northern England shale-gas assets
Total Net Prospective Gas Resources	1,180.21	3,609.99	10,886.45	Bcf	
Total Contingent and Prospective Resources	206.85	631.27	1,879.29	Mmboe	

Note: all numbers are Company estimates except Wressle which is ERCEquipoise (2016)

Committed to the highest standards

Egdon Resources plc wishes to build value through developing sustainable long-term relationships with partners and the community and is committed to the highest standards of health, safety and environmental protection; these aspects command equal prominence with other business considerations.

The onshore oil and gas industry has an excellent record in relation to health and safety and environment protection.

Onshore oil and gas regulation in the UK has been recognised as an exemplar by the rest of the world. The industry is regulated by a number of statutory bodies including the Environment Agency (EA), Health and Safety Executive (HSE), the Oil and Gas Authority (OGA) and the local minerals planning authority. In addition the industry is governed by 14 separate pieces of European legislation.

United Kingdom Licences Summary

Kirkleatham	PEDL068	68%

- Kirkleatham Gas Field remains shut-in
- Planning consents extended to enable a side-track well to an identified up-dip area of the accumulation
- 2C remaining reserves of 0.33 bcf (net Egdon)
- Deeper tight sand potential identified in PEDL068 and surrounding PEDL259 (14th Round)

Cloughton	PEDL343	17.5%

- Contains Cloughton tight gas discovery (Bow Valley,1986). Appraisal planned

A Prospect	P1929	100%

- Upper Permian Zechstein carbonate gas discovery 1966 Total well 41/18-1 flowed at 2.5 mmcfg/d (following acidisation)
- Reviewing drilling / development options for both onshore and offshore
- 14th Round licences awarded covering onshore wellsite
- Net Egdon Mean Prospective Resources of 164 bcf

Dukes Wood / Kirklington	PEDL118/203	55.56%

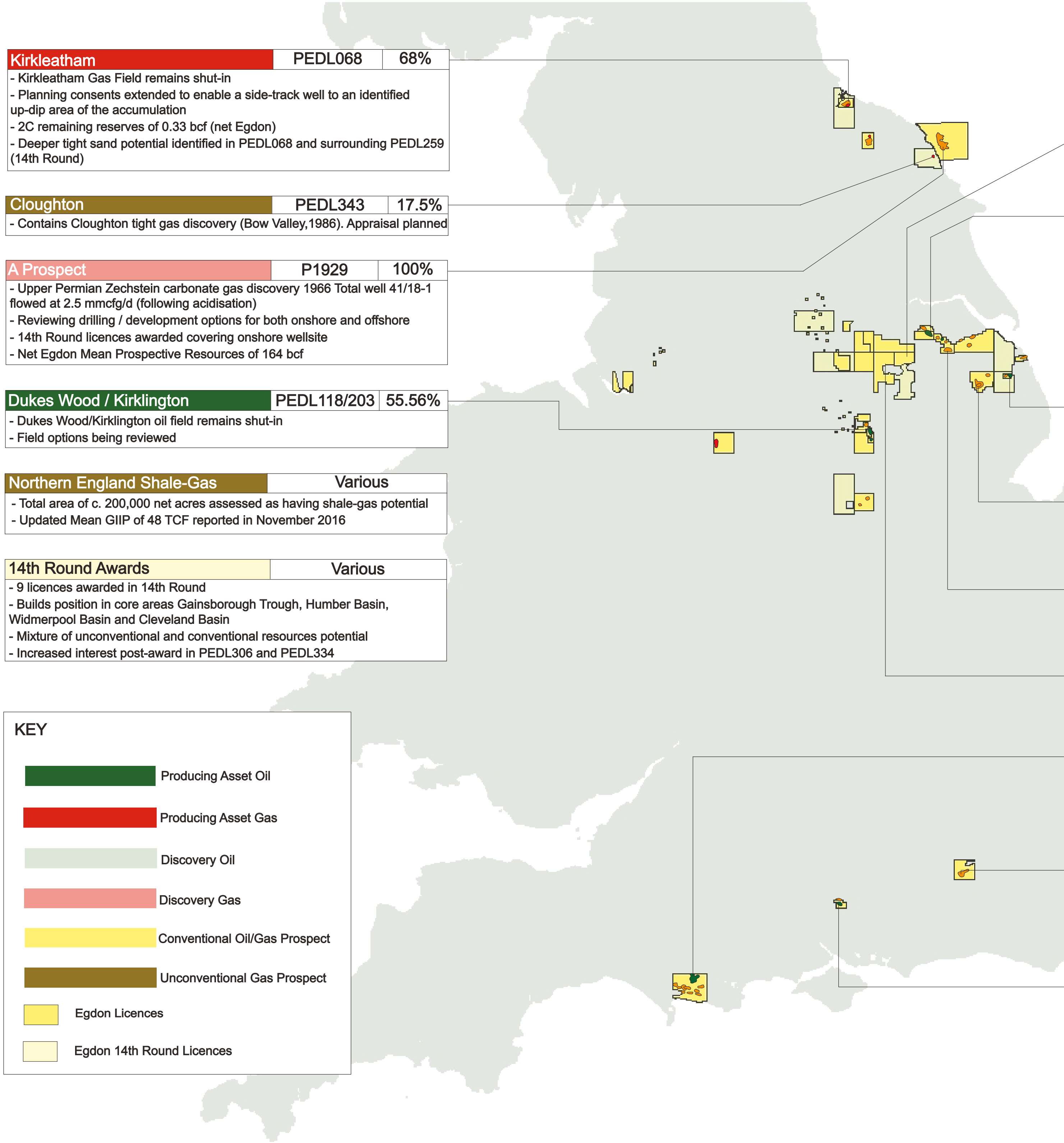
- Dukes Wood/Kirklington oil field remains shut-in
- Field options being reviewed

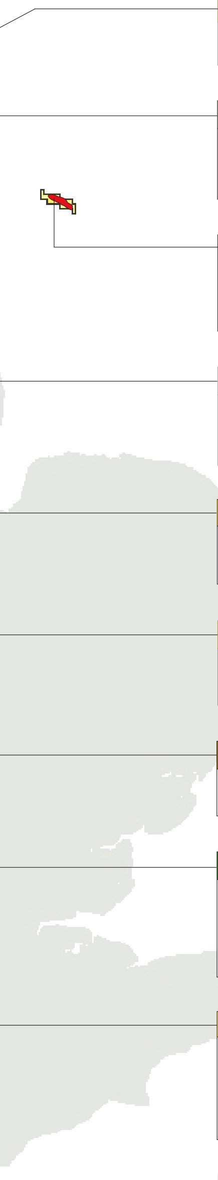
Northern England Shale-Gas	Various

- Total area of c. 200,000 net acres assessed as having shale-gas potential
- Updated Mean GIIP of 48 TCF reported in November 2016

14th Round Awards	Various

- 9 licences awarded in 14th Round
- Builds position in core areas Gainsborough Trough, Humber Basin, Widmerpool Basin and Cleveland Basin
- Mixture of unconventional and conventional resources potential
- Increased interest post-award in PEDL306 and PEDL334





Laughton	PEDL209	60%
- Exploration well drilled in Q1 2016 - P&A with oil shows		

Wressle	PEDL180	25%
- Planning and permitting ongoing for field development - First oil targeted for early 2017 at initial rates of 500 bopd - CPR indicates 2P / 2C resources of 2.15 mmbls (net Egdon 0.53 mmbls)		

Ceres	P.1241	10%
- Lower Permian Leman Sandstone reservoir gas field - Producing - Field to be shut-in to enable recovery of back-out gas from Mercury - Overall GIIP and recoverable gas being reassessed upwards		

Keddington	PEDL005(r)	45%
- Production from Carboniferous Sandstone reservoir at 2,200 metres depth - Sidetrack well K-5 drilled in Q1 2016 - Options for further drilling under review		

Biscathorpe	PEDL253	52.8%
- Exploration well planned for 2017 subject to funding / farmout - Well to target 7.5 mmbls Net Egdon Best Estimate Prospective Resources		

North Kelsey	PEDL241	80%
- Exploration well planned for 2017 subject to funding / farmout - Well to target 2.4 mmbls Net Egdon Best Estimate Prospective Resources		

Gainsborough Trough	PEDL139/140	14.5%
- Planning decision awaited for carried shale-gas exploration wells (Springs Road-1 and 2)		

Waddock Cross	PL090	55%
- Waddock Cross oil field remains shut in - Bridport Sandstone (Jurassic) oil discovery with in excess of 30 mmbls in place, 2P reserves of 0.17 mmbls (net Egdon) - Options to restore / increase production under review		

Holmwood	PEDL143	18.4%
- Jurassic Carbonate and Sandstone Holmwood Prospect contains Egdon un-risked Best Estimate Prospective Resources of 1.03 mmbls - Farm-out completed for 2017 well - Kimmeridge Limestone potential identified as tested at Horse Hill		

Avington	PEDL070	26.67%
- Great Oolite (Jurassic) oil field with two producing wells - Potential for additional development wells remains under review		

PERFORMANCE

Financial Review

Ken Ratcliff
Chairman of Audit Committee

Results

The Group recorded a loss after tax of £2.69 million for the period (2015: £4.47 million) after impairments and pre-licence costs amounting in total to £0.72 million (2015: £3.62 million).

Revenue from oil and gas production during the year was down 23% to £1.59 million (2015: £2.07 million) despite a small increase in production levels, in the main due to falls in commodity prices and exchange rate movements that have affected the entire industry. Whilst the fall in commodity price has not been welcome the Company has taken some comfort in the fact that the majority of its production can remain profitable at the point of extraction even at the prevailing prices (although the Waddock Cross field was shut-in during the year due to lower oil prices and lower than anticipated production).

Cost of sales have decreased since 2015, due principally to a write down in the prior year in respect of the French licences and application costs of £0.45 million in respect of the 14th Round, although these were mitigated to some extent by the reverse impairment credits associated with the Ceres and Kirkleatham gas fields. The current year financial statements reflect impairment provisions in relation to the producing assets at Keddington and Waddock Cross and a further reverse impairment credit associated with the Ceres gas field.

Administrative expenses have remained at a similar level to 2015.

Loss per share for the period was 1.21p (2015: 2.02p). Exploration costs written off and pre-licence costs amounted to £74,523 (2015: £4,139,657) inclusive of write-offs in respect of one relinquished licence (2015: none). Additionally, following on from the normal periodic impairment review of asset values, a net impairment write off of £643,000 has been made in the financial statements (2015: write back of £521,333) principally derived from revised valuations of the Waddock Cross, Keddington and Ceres Fields.

No taxation charge arises on the result for the year. As at 31 July 2016, the Group had carry forward tax losses of £42,154,178 (2015: £37,704,083).

Statement of Financial Position

The Group is debt free and has maintained a focus on managing its cash resources and at year end had net current assets of £4.18 million (2015: £7.18 million) of which £2.68 million was cash and cash equivalents (2015: £5.18 million).

During the year there has been active portfolio management including strategic acquisitions involving the 14th Round, farm-out of licence interests In PEDL005(R), PEDL182 and PEDL209 and the relinquishment of PEDL237.

The movement in Debtors and Creditors reflect the normal working capital movements commensurate with a business of this nature.

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 opposite.

Key Performance Indicators

As is evident from the table below it has been a challenging year for the Group in line with the Industry in general. The fall in commodity prices has taken its toll but in general terms the Group is satisfied with its performance overall.

Risk Management

The Board takes into consideration a broad and comprehensive analysis of potential risk factors that may affect the business of the Group. From our current review of those factors the table below identifies the key risks faced by the Group at this time, their potential effect on the Group's business and our strategies to mitigate the impact. The risks listed 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.

Like all exploration and production businesses the Group is exposed to a range of external risks which are, by definition, beyond the Group's control but are regarded as having a potentially high impact upon the business. In addition there are other risks arising through the conduct of the Group's operations that are also identified as having the potential to impact upon the Group's trading.

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.

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.

Regulatory uncertainties in both the UK and in France in relation to unconventional plays continue to have an impact on the business during the period and on a more general level, uncertainties in France have had a bearing upon the Group's developing strategy.

KPIs	For the year ending 31 July 2016	For the year ending 31 July 2015	Change %
Revenues	£1.59 million	£2.07 million	-23.29%
Total Comprehensive Income (Net Loss)	£(2.69) million	£(4.47) million	39.90%
Net Current Assets (including cash)	£4.18 million	£7.18 million	-41.71%
Equity	£29.43 million	£32.05 million	-8.17%
Production Volumes	64,604 boe	63,149 boe	2.30%
No. of Licences	43*	36	19.44%
Best estimate Resources	631 mmboe	459 mmboe	37.47%
Reportable Health and Safety Incidents	0	1	-100%

* Includes 14th Round licences offered during the period and awarded post year-end

Financial Review continued

External risks & mitigation

• Oil and gas price volatility presenting a high risk both financially and operationally	Use range of commodity prices in forecasting. Adopt a conservative approach to funding without recourse to debt if possible. Look to hedging as production volumes and number of fields increase. Maintain low cost of production at existing and future sites.
• Political risk, detrimental regulatory and fiscal changes presenting a high risk both financially and operationally	Develop sustainable relationships with government ministries and collaborate with industry bodies to communicate interests to government authorities. Actively engage with and lobby regulatory bodies. Consult with independent advisors and law enforcement agencies on matters of security.

Inherent risks & mitigation

• Loss of key staff resulting in operational risks to the business	Maintain competitive remuneration policies to attract and retain staff. Regular review of staff incentive packages by Remuneration Committee.
• HSE incident or major well-site hydrocarbon leakage resulting in operational, environmental and financial risks	HSE management systems and standards set and monitored across the Group, comprehensive insurance policies.
• Under-performing assets or failure in producing assets representing a financial and operational risk	Range of production forecasting in budget process. Increase number and breadth of producing assets to reduce reliance on single-site performance.

Ken Ratcliff
Chairman of Audit Committee
31 October 2016

GOVERNANCE

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 have regard to the recommendations in so far as is practicable and appropriate for a public company of its size.

The Board

The Board comprises two Executive Directors and five 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 as recommended by the UK Corporate Governance Code.

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 2016. All meetings were attended by all Directors, except one which was only partly attended as it was merely to record formal approval to matters already approved in principle.

A statement of the Directors' responsibilities in respect of the financial statements is set out on page 20.

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

Audit Committee

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

The Audit committee plans to meet at least twice a year. The committee met once in the year to 31 July 2016, however the third meeting in the year to 31 July 2015, which was held in late July 2015, was effectively the first 2015-16 meeting.

Remuneration Committee

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

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

The Remuneration committee plans to meet at least twice in each year. Although it only met formally once in the year to 31 July 2016 to consider salary increases for Executive and Non Executive Directors, there were various ad hoc discussions between members during the year, usually as part of main Board meetings.

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 financial statements 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.

GOVERNANCE

Board of Directors

Philip Stephens

Chairman

Philip is a corporate financier with 39 years of City experience. He is currently Chairman of Neptune-Calculus Income and Growth VCT plc and Chairman 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

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, British Gas Exploration and Production Limited from 1992 to 1996 and Anadarko Algeria Corporation from 1996 to 1997. He is a council member of UKOOG and a trustee of the UK Onshore Geophysical library. He is also a Director of MA Exploration Services Limited and Bishopswood Pavilion Limited.

Jerry Field

Exploration Director

Jerry has over 36 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.

Walter Roberts

Non-executive Director and Company Secretary

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. He is an Executive Director of Pinnacle Energy Limited.

Ken Ratcliff

Non-executive Director

Ken is a chartered accountant with extensive finance and business experience. He 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

A highly experienced geoscientist and manager, Andrew recently retired as 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.

Paul Jenkinson

Non-executive Director

Paul has over 30 years experience in the energy sector having worked for companies such as BP, Dynegy and International Power. He is currently Chief Executive Officer of Alkane Energy Limited. Paul has a background in commercial management and business development both in the UK and internationally.

GOVERNANCE

Director's Report

The Directors submit their report together with the audited consolidated financial statements of Egdon Resources plc for the year ended 31 July 2016.

Business Review

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

Health, Safety and Environmental

The Company wishes to build value through developing sustainable long-term relationships with partners and the community and is committed to the highest standards of health, safety and environmental protection; these aspects command equal prominence with other business considerations.

There were no reportable health and safety incident during the year (2015: one).

Results and Dividends

The Group recorded a loss after tax of £2.69 million for the year (2015: £4.47 million). The loss for the year is after charging impairments, exploration write-downs and pre-licence costs of £0.72 million (2015: £3.62 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 221,345,811 ordinary shares are issued and fully paid. Details of movements in share capital during the year are given in note 24 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
Alkane Energy plc	18.07
Premier Oil PLC	17.71
Hargreave Hale & Co	11.89
JP Morgan Asset Management	8.28
Hargreave Lansdown Asset Mgt	6.21
Heyco Energy Holdings SL	4.24
Mark Abbott	3.53

No Directors, other than Mark Abbott, hold 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 of the seven Directors served throughout the year, Paul Jenkinson replaced Neil O'Brien in January 2016.

The Directors' remuneration is detailed in note 7 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 7.

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 22 to the financial statements.

Employees

The Group had 12 employees as at 31 July 2016 (2015: 12). Employees are encouraged to directly participate in the business through a share option scheme. Details of the share option scheme are given in note 8 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 audit information and to establish that the Company's auditor was aware of that information.

Mark Abbott
Managing Director
31 October 2016

Statement of Director's Responsibilities

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, 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 elected to prepare the Group and parent financial statements in accordance with 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. 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 of the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 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.

FINANCIAL STATEMENTS

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 2016 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 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 20, 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 Financial Reporting Council's (FRC'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/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 July 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.

Andrew Bond

Senior Statutory Auditor, for and on behalf of Nexia Smith & Williamson

Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

31 October 2016

Consolidated Statement of Comprehensive Income

for the year ended 31 July 2016

	Notes	2016 £	2015 £
Continuing operations			
Revenue	3	**1,586,120**	2,067,702
Cost of sales – exploration costs written off and pre-licence costs		**(74,523)**	(4,139,657)
Cost of sales – impairments and impairment reversals		**(643,000)**	521,333
Cost of sales – depreciation		**(1,269,155)**	(973,152)
Cost of sales – other		**(1,219,218)**	(991,495)
Total cost of sales		**(3,205,896)**	(5,582,971)
Gross loss		**(1,619,776)**	(3,515,269)
Administrative expenses		**(1,144,720)**	(1,153,969)
Other operating income		**112,456**	130,687
Exceptional item – negative goodwill arising on acquisition	17	**–**	71,880
		(2,652,040)	(4,466,671)
Finance income	10	**8,314**	20,845
Finance costs	11	**(41,845)**	(22,442)
Loss before taxation	4	**(2,685,571)**	(4,468,268)
Taxation	12	**–**	–
Loss for the year		**(2,685,571)**	(4,468,268)
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year attributable to equity holders of the parent		**(2,685,571)**	(4,468,268)
Loss for the year per share			
Basic loss per share	13	**(1.21)p**	(2.02)p
Diluted loss per share	13	**(1.21)p**	(2.02)p

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

As at 31 July 2016

	Notes	2016 £	2015 £
Non-current assets			
Intangible assets	15	**18,370,375**	17,864,269
Property, plant and equipment	16	**8,682,892**	8,838,286
Total non-current assets		**27,053,267**	26,702,555
Current assets			
Trade and other receivables	18	**2,540,987**	2,889,466
Available for sale financial assets	19	**50,000**	50,000
Cash and cash equivalents	20	**2,678,780**	5,180,333
Total current assets		**5,269,767**	8,119,799
Current liabilities			
Trade and other payables	21	**(1,085,005)**	(940,761)
Net current assets		**4,184,762**	7,179,038
Total assets less current liabilities		**31,238,029**	33,881,593
Non-current liabilities			
Provisions	23	**(1,803,324)**	(1,827,288)
Net assets		**29,434,705**	32,054,305
Equity			
Share capital	24	**14,164,337**	14,164,337
Share premium	25	**20,619,616**	20,619,616
Share-based payment reserve		**226,401**	160,430
Retained earnings		**(5,575,649)**	(2,890,078)
		29,434,705	32,054,305

These financial statements were approved by the Board of Directors and authorised for issue on 31 October 2016.

They were signed on its behalf by:

Mark Abbott
Managing Director

Company registration number 06409716

Company Statement of Financial Position

As at 31 July 2016

	Notes	2016 £	2015 £
Non-current assets			
Property, plant and equipment	16	**1,338**	3,226
Investments	17	**15,196,930**	15,196,930
Total non-current assets		**15,198,268**	15,200,156
Current assets			
Trade and other receivables	18	**17,376,550**	16,250,455
Cash and cash equivalents	20	**2,020,197**	3,517,407
Total current assets		**19,396,747**	19,767,862
Current liabilities			
Trade and other payables	21	**(120,599)**	(136,192)
Net current assets		**19,276,148**	19,631,670
Total assets less current liabilities		**34,474,416**	34,831,826
Non-current liabilities			
Provisions	23	**(20,525)**	(20,525)
Net assets		**34,453,891**	34,811,301
Equity			
Share capital	24	**14,164,337**	14,164,337
Share premium	25	**20,619,616**	20,619,616
Merger reserve	26	**2,357,816**	2,357,816
Share-based payment reserve		**226,401**	160,430
Retained earnings		**(2,914,279)**	(2,490,898)
		34,453,891	34,811,301

These financial statements were approved by the Board of Directors and authorised for issue on 31 October 2016.

They were signed on its behalf by:

Mark Abbott
Managing Director

Company registration number 06409716

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

For the year ended 31 July 2016

	2016 £	2015 £
Cash flows from operating activities		
Loss before tax	**(2,685,571)**	(4,468,268)
Adjustments for:		
Depreciation and impairment of fixed assets	**1,918,685**	451,819
Exploration costs written off	**44,564**	3,673,780
Foreign exchange gains	**(27,546)**	(93,060)
Negative goodwill	–	(71,880)
Revaluation of accrued income	**103,258**	292,729
Loss on disposal of licence interest	–	128,164
Decrease in trade and other receivables	**215,698**	2,230,130
Increase/(decrease) in trade payables and other payables	**172,818**	(3,605,969)
Movement in provisions	–	(13,400)
Finance costs	**41,845**	22,442
Finance income	**(8,314)**	(20,845)
Share-based remuneration charge	**65,971**	36,931
Cash used in operations	**(158,592)**	(1,437,427)
Interest paid	–	(6)
Taxation paid	–	–
Net cash flow used in operating activities	**(158,592)**	(1,437,433)
Investing activities		
Finance income	**8,314**	20,845
Payments for exploration and evaluation assets	**(2,141,571)**	(3,234,775)
Purchase of property, plant and equipment	**(237,250)**	(20,300)
Revenue from oil well appraisal	–	13,824
Sale of intangible fixed assets	–	78,227
Net cash used in capital expenditure and investing activities	**(2,370,507)**	(3,142,179)
Financing activities		
Issue of shares	–	–
Costs associated with issue of shares	–	–
Repayment of short-term borrowings	–	–
Net cash flow generated from financing	–	–
Net decrease in cash and cash equivalents	**(2,529,099)**	(4,579,612)
Cash and cash equivalents as at 31 July 2015	**5,180,333**	9,666,885
Effects of exchange rate changes on the balance of cash held in foreign currencies	**27,546**	93,060
Cash and cash equivalents as at 31 July 2016	**2,678,780**	5,180,333

In 2015 significant non cash transactions comprised the issue of equity share capital with a market value of £75,000 as consideration for the acquisition of Yorkshire Exploration Limited.

Company Statement of Cash Flows

For the year ended 31 July 2016

	2016 £	2015 £
Cash flows from operating activities		
Loss before tax	**(423,381)**	(594,088)
Adjustments for:		
Depreciation of plant and equipment	**1,888**	3,094
(Increase)/decrease in trade and other receivables	**(1,126,096)**	371,689
Decrease in trade payables	**(15,592)**	(2,024,940)
Share-based remuneration charge	**65,971**	36,931
Movement in provision	**–**	–
Finance costs	**–**	–
Finance income	**(7,875)**	(10,408)
Cash used in operations	**(1,505,085)**	(2,217,722)
Interest paid	**–**	–
Net cash flow used in operating activities	**(1,505,085)**	(2,217,722)
Investing activities		
Finance income	**7,875**	10,408
Purchase of property, plant and equipment	**–**	–
Net cash generated from capital expenditure and financial investment	**7,875**	10,408
Financing activities		
Issue of shares	**–**	–
Costs associated with issue of shares	**–**	–
Repayment of short-term borrowings	**–**	–
Net cash flow generated from financing	**–**	–
Net decrease in cash and cash equivalents	**(1,497,210)**	(2,207,314)
Cash and cash equivalents as at 31 July 2015	**3,517,407**	5,724,721
Cash and cash equivalents as at 31 July 2016	**2,020,197**	3,517,407

In 2015 significant non cash transactions comprised the issue of equity share capital with a market value of £75,000 as consideration for the acquisition of Yorkshire Exploration Limited.

FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

For the year ended 31 July 2016

	Share capital £	Share premium £	Share based payment reserve £	Retained earnings £	Total equity £
Balance at 31 July 2014	14,158,872	20,550,081	123,499	1,578,190	36,410,642
Loss for the year	–	–	–	(4,468,268)	(4,468,268)
Total comprehensive income for the year	–	–	–	(4,468,268)	(4,468,268)
Issue of ordinary shares	5,465	69,535	–	–	75,000
Share option charge	–	–	36,931	–	36,931
Balance at 31 July 2015	14,164,337	20,619,616	160,430	(2,890,078)	32,054,305
Loss for the year	**–**	**–**	**–**	**(2,685,571)**	**(2,685,571)**
Total comprehensive income for the year	**–**	**–**	**–**	**(2,685,571)**	**(2,685,571)**
Share option charge	**–**	**–**	**65,971**	**–**	**65,971**
Balance at 31 July 2016	**14,164,337**	**20,619,616**	**226,401**	**(5,575,649)**	**29,434,705**

Company Statement of Changes in Equity

For the year ended 31 July 2016

	Share capital £	Merger reserve £	Share premium £	Share-based payment reserve £	Retained earnings £	Total equity £
Balance at 31 July 2014	14,158,872	2,357,816	20,550,081	123,499	(1,896,810)	35,293,458
Loss for the year	–	–	–	–	(594,088)	(594,088)
Total comprehensive income for the year	–	–	–	–	(594,088)	(594,088)
Issue of ordinary shares	5,465	–	69,535	–	–	75,000
Share option charge	–	–	–	36,931	–	36,931
Balance at 31 July 2015	14,164,337	2,357,816	20,619,616	160,430	(2,490,898)	34,811,301
Loss for the year	**–**	**–**	**–**	**–**	**(423,381)**	**(423,381)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(423,381)**	**(423,381)**
Share option charge	**–**	**–**	**–**	**65,971**	**–**	**65,971**
Balance at 31 July 2016	**14,164,337**	**2,357,816**	**20,619,616**	**226,401**	**(2,914,279)**	**34,453,891**

FINANCIAL STATEMENTS

Notes Forming Part of the Financial Statements

For the year ended 31 July 2016

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 AIM 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.

The breakdown of Cost of sales presented on the face of the Statement of Comprehensive Income has been amended to provide more useful information and the comparative results have been restated accordingly.

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

Going concern

The Directors have prepared the financial statements 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.

Cash flow forecasts have been prepared which include a degree of commercial reliance upon income arising both from existing producing fields and the commencement of production at Wressle which is currently subject to receipt of the requisite final consents.

After making enquiries and considering relevant uncertainties, including potental delays in the commencement of production at Wressle, 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.

Adoption of new and revised standards

There have been no new or revised standards adopted in the preparation of the Financial Statements for the current financial year that have had any material impact on the Financial Statements of the Group.

Other than minor changes to standards arising from annual improvements, there are currently no EU adopted revised or new standards which have yet to be adopted. The minor changes to the standards are not expected to have a material effect on the Group Financial Statements.

The following standards have been issued but remain subject to EU endorsement.

– IFRS 9 Financial Instruments

– IFRS 15 Revenue from contracts with customers

– IFRS 16 Leases

The potential impact on the Group's Financial Statements is under review.

Notes Forming Part of the Financial Statements continued

For the year ended 31 July 2016

2. Accounting policies continued

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 back-out gas is recovered with any necessary price adjustments also reflected in revenue.

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.

The Group's exploration and development activities in respect of the licence interests are accounted for as jointly controlled operations, except for those where 100% of the licence is held within the Group.

Intangible assets – exploration and evaluation assets

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

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

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

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

As permitted by IFRS 6, on adoption of IFRS, the Group continued to apply the accounting guidance 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. In order that no profit is recognised on the sale, an entry of the equivalent value is recorded in cost of sales with a corresponding credit to exploration and evaluation assets.

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.

2. Accounting policies continued

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 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 the Statement of Comprehensive Income, less the percentage cost relating to the disposal.

Impairment of development and production assets

A review is performed for any indication that the value of the D&P assets may be impaired. For D&P assets when there are such indications, an impairment test is carried out on the CGU. Additional depletion is included within cost of sales within the Statement of Comprehensive Income if the capitalised costs of the CGU exceed the associated estimated future discounted cash flows of the related commercial oil and gas reserves.

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

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

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

Provisions

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

Decommissioning and reinstatement provisions

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

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the end of the financial year. All exchange differences are dealt with in the Statement of Comprehensive Income in profit or loss.

Operating leases

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

Inventory

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

Cash and cash equivalents

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

The cash and cash equivalent amount in the Statements of Cash Flow includes overdrafts where relevant.

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 or, if appropriate, and where these can be reliably measured, at the fair value of the goods and services received.

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

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

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

Taxation

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

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

2. Accounting policies continued

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 reporting 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.

Where equity instruments are granted other than to employees, the amount recognised in equity is the fair value of goods and services received. An equivalent charge is capitalised within non-current assets where the equity instruments have been issued as consideration for the acquisition of intangible exploration and evaluation assets.

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.

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
- Estimating decommissioning and reinstatement liabilities
- Determining going concern

Oil and gas assets

Management is required to assess the oil and gas assets for indicators of impairment. Notes 15 and 16 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.

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.

Notes Forming Part of the Financial Statements continued

For the year ended 31 July 2016

2. Accounting policies continued

Decommissioning and reinstatement

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

Going concern

The preparation of the financial statements requires an assessment of the validity of the going concern assumption, this being dependent on the availability of adequate financial resources to allow the Group to continue in operational existence for the foreseeable future. The incoming financial resources expected to be available depend on estimated production volumes, forecast oil and gas prices and operating costs. Expenditure is primarily dependent on the planned programme of exploration, its estimated cost and timing. The Directors also consider the effect and timing of potential corporate transactions.

3. Segmental information

For management purposes, the Group currently operates in two geographical markets: UK and France. 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 2016 and for the year-ended 31 July 2015.

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, 100% (2015: 100%) of oil sales in the year were made to one organisation. Gas is a commodity product and can be sold to a number of customers on industry-standard terms. For contractual reasons in both 2016 and 2015, gas from the Group's producing field was sold to one customer.

2016	UK £	France £	Unallocated £	Total £
Revenue	1,586,120	–	–	1,586,120
Cost of sales – exploration costs written off and pre-licence costs	(87,593)	13,070	–	(74,523)
Cost of sales – impairments and impairment reversals	(643,000)	–	–	(643,000)
Cost of sales – depreciation	(1,269,155)	–	–	(1,269,155)
Cost of sales – other	(1,219,009)	(209)	–	(1,219,218)
Total cost of sales	(3,218,757)	12,861	–	(3,205,896)
Gross (loss)/profit	(1,632,637)	12,861	–	(1,619,776)
Other administrative expenses	(43,429)	(4,181)	(1,090,580)	(1,138,190)
Depreciation	(4,642)	–	(1,888)	(6,530)
Total administrative expenses	(48,071)	(4,181)	(1,092,468)	(1,144,720)
Other operating income	106,655	5,801	–	112,456
(Loss)/profit for the year before net finance costs and taxation	(1,574,053)	14,481	(1,092,468)	(2,652,040)
Finance income	439	–	7,875	8,314
Finance costs	(41,845)	–	–	(41,845)
(Loss)/profit before taxation	(1,615,459)	14,481	(1,084,593)	(2,685,571)
Taxation	–	–	–	–
(Loss)/profit for the year	(1,615,459)	14,481	(1,084,593)	(2,685,571)
Other segment information				
Non-current assets	26,893,488	158,441	1,338	27,053,267
Current assets	3,159,044	13,881	2,096,842	5,269,767
Current liabilities	(914,600)	(49,806)	(120,599)	(1,085,005)
Non-current liabilities	(1,688,659)	(94,140)	(20,525)	(1,803,324)
Net assets	27,449,273	28,376	1,957,056	29,434,705
Capital expenditure				
Intangible exploration and evaluation assets	2,123,736	17,835	–	2,141,571
Property, plant and equipment				
– oil and gas assets	278,318	–	–	278,318
– other	–	–	–	–
Total	2,402,054	17,835	–	2,419,889

Unallocated net current assets primarily represent balances arising from corporate transactions and cash at bank which has yet to be allocated to a business segment.

3. Segmental information continued

2015	UK £	France £	Unallocated £	Total £
Revenue	2,067,702	–	–	2,067,702
Cost of sales – exploration costs written off and pre-licence costs	(1,204,471)	(2,935,186)	–	(4,139,657)
Cost of sales – impairments and impairment reversals	521,333	–	–	521,333
Cost of sales – depreciation	(973,152)	–	–	(973,152)
Cost of sales – other	(991,590)	95	–	(991,495)
Total cost of sales	(2,647,880)	(2,935,091)	–	(5,582,971)
Gross loss	(580,178)	(2,935,091)	–	(3,515,269)
Other administrative expenses	(169,128)	(548)	(974,934)	(1,144,610)
Depreciation	(6,265)	–	(3,094)	(9,359)
Total administrative expenses	(175,393)	(548)	(978,028)	(1,153,969)
Other operating income	107,647	23,040	–	130,687
Negative goodwill	71,880	–	–	71,880
Loss for the year before net finance costs and taxation	(576,044)	(2,912,599)	(978,028)	(4,466,671)
Finance income	10,437	–	10,408	20,845
Finance costs	(22,436)	–	(6)	(22,442)
Loss before taxation	(588,043)	(2,912,599)	(967,626)	(4,468,268)
Taxation	–	–	–	–
Loss for the year	(588,043)	(2,912,599)	(967,626)	(4,468,268)
Other segment information				
Non-current assets	26,558,722	140,607	3,226	26,702,555
Current assets	4,477,060	38,710	3,604,029	8,119,799
Current liabilities	(665,746)	(138,823)	(136,192)	(940,761)
Non-current liabilities	(1,726,763)	(80,000)	(20,525)	(1,827,288)
Net assets	28,643,273	(39,506)	3,450,538	32,054,305
Capital expenditure				
Intangible exploration and evaluation assets	3,286,246	116,070	–	3,402,316
Property, plant and equipment				
– oil and gas assets	1,308,647	–	–	1,308,647
– other	–	–	–	–
Total	4,594,893	116,070	–	4,710,963

4. Loss before taxation

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

	2016 £	2015 £
Auditor's remuneration (see note 5)	**59,210**	59,140
Depreciation	**1,275,685**	973,152
Impairment charge	**825,000**	478,667
Impairment reversal	**(182,000)**	(1,000,000)
Exploration and appraisal costs written off	**47,172**	3,682,219
Pre-licence costs expensed	**27,351**	457,438
Foreign exchange gain	**(27,546)**	(93,060)
Share-based payment charge	**65,971**	36,931
Operating lease rentals		
– land and buildings (in administrative expenses)	**25,000**	25,000
– leases on operational sites (in cost of sales)	**51,986**	48,217

With an effective date of 1 January 2015, the Group disposed of its interests in PEDL126 and P.1916 for consideration of £10,000, giving rise to a loss on disposal of £128,164 (included within administrative expenses).

5. Auditor's remuneration

	2016 £	2015 £
Audit services:		
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	**12,600**	16,050
Other services:		
The auditing of financial statements of subsidiaries of the Company	**41,580**	39,450
All other services	**5,030**	3,640
Total audit and other services	**59,210**	59,140

Notes Forming Part of the Financial Statements continued

For the year ended 31 July 2016

6. Employee information

	2016 Number	2015 Number
The average number of persons employed by the Group in the year, including Executive and Non-executive Directors, was:		
Management and administration	**12**	12

	2016 £	2015 £
Employee costs during the year amounted to:		
Wages and salaries	**864,201**	940,894
Social security costs	**108,945**	119,477
Share-based remuneration charges	**65,971**	36,931
Pension costs	**101,422**	94,102
	1,140,539	1,191,404

7. Remuneration of Directors and key management

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

Group and Company	2016 £	2015 £
Directors' emoluments	**393,600**	439,280
Medical cover	**7,205**	5,268
Employer's national insurance contributions	**45,530**	51,142
Short-term employment benefits	**446,335**	495,690
Post-employment benefits	**78,822**	70,673
Share-based remuneration charge attributable to Directors	**25,981**	12,980
	551,138	579,343

The emoluments and compensation of individual Directors were as follows:

	Salary and fees £	Bonus £	Medical £	Pension (note 10) £	Total 2016 £	Total 2015 £
M Abbott	**160,000**	–	**3,005**	**42,140**	**205,145**	197,662
P Stephens	**45,000**	–	–	–	**45,000**	45,000
K Ratcliff	**30,000**	–	–	–	**30,000**	30,114
W Roberts	**9,600**	–	–	**24,154**	**33,754**	31,960
J Field	**114,000**	–	**4,200**	**12,528**	**130,728**	171,319
A Lodge	**20,000**	–	–	–	**20,000**	19,166
N O'Brien	**6,250**	–	–	–	**6,250**	20,000
P Jenkinson	**8,750**	–	–	–	**8,750**	–
	393,600	–	**7,205**	**78,822**	**479,627**	515,221

The emoluments of the highest paid Director excluding pension contributions were £163,005 (2015: £162,634). Pension contributions include contributions made under a salary sacrifice arrangement totalling £34,140 (2015: £27,070).

Life policy and critical illness premiums of £5,713 (2015: £6,875) were paid in respect of the Managing Director and Directors' indemnity insurance premiums of £11,599 (2015: £12,179) were paid in respect of all Directors.

Fees of £15,000 (2015: £20,000) are payable to Alkane Energy plc in respect of director's services provided by Neil O'Brien and Paul Jenkinson. Of these fees £11,250 (2015: £6,250) had not been invoiced at the year-end and is included in accruals.

Directors' share options outstanding at 31 July 2016 and at 31 July 2015

	Exercise price	Number of options	Date granted	Vesting date
M Abbott	16.17p	618,429	12/05/2008	01/08/2010
M Abbott	10.00p	600,000	01/01/2013	01/01/2014
M Abbott	20.62p	363,725	13/05/2014	01/05/2016
M Abbott	9.70p	979,381	16/11/2015	01/08/2016
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
J Field	20.62p	290,980	13/05/2014	01/05/2016
J Field	9.70p	824,742	16/11/2015	01/08/2016

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.

8. 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 12 May 2008	1,631,908	12/05/2008	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	31/01/2021	20.08p	01/08/2013
Granted on 21 December 2011	483,091	21/12/2011	30/11/2021	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
Granted on 14 January 2014	762,765	14/01/2014	31/12/2023	10.38p	01/01/2016
Granted on 13 May 2014	654,705	13/05/2014	01/05/2024	20.62p	01/05/2016
Granted on 9 June 2014	780,000	09/06/2014	31/05/2024	26.00p	01/06/2016
Granted on 18 August 2014	659,341	18/08/2014	31/07/2024	22.75p	01/08/2016
Granted on 16 November 2015	4,134,019	16/11/2015	31/12/2026	9.70p	01/08/2016

8. Share-based payment plans continued

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 all options granted in or after December 2011 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.

	18/08/2014	16/11/2015
Grant date share price (pence)	22.75	9.70
Exercise price (pence)	22.75	9.70
Expected volatility (%)	3.77	5.64
Option life (years)	10	10
Risk free interest rate (%)	0.44	0.46

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

Company and Group	2016 No.	2016 WAEP (pence)	2015 No.	2015 WAEP (pence)
Opening balance	**6,887,584**	**15.92**	6,228,243	15.20
Granted during the year	**4,134,019**	**9.70**	659,341	22.75
Forfeited during the year	**–**	**–**	–	–
Exercised during the year	**–**	**–**	–	–
Outstanding at 31 July 2016	**11,021,603**	**13.59**	6,887,584	15.92

The weighted average remaining contractual life of share options outstanding as at 31 July 2016 is 7.36 years (2015: 6.42 years). At 31 July 2016 11,021,603 (2015: 4,110,252) of the total number of share options outstanding could be exercised and these options had a weighted average exercise price of 13.59 pence (2015: 13.09 pence).

9. 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 £28,980 (2015: £39,520) represents the sum payable to the scheme by the Group at rates agreed in respect of participating employees.

10. Finance income

	2016 £	2015 £
Interest receivable on short-term deposits	**8,314**	20,845

11. Finance costs

	2016 £	2015 £
Unwinding of decommissioning discount	**41,845**	22,436
Other Interest payable	–	6
	41,845	22,442

12. Income tax

The major components of income tax expense for the years ended 31 July 2016 and 2015 are:

	2016 £	2015 £
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 2016 and 2015 is as follows:		
Accounting loss before tax from continuing operations	**(2,685,571)**	(4,468,268)
Loss on ordinary activities multiplied by the standard rate of tax of 20% (2015: 20.66%)	**(537,114)**	(923,144)
Expenses not permitted for tax purposes	**30,291**	14,818
Movement in unrecognised deferred tax assets	**506,823**	908,326
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 £42,154,178 (2015: £37,704,083) 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.

d) Deferred taxation

The Group has an unrecognised deferred taxation asset of £5,978,715 (2015: £5,471,891) at the year end, calculated at a rate of 20% (2015: 20%) which is an estimate of the rate anticipated to be applicable at the time the net tax losses are expected to be utilised. This is represented by accumulated tax losses of £42,154,178 (2015: £37,704,083) offset by accelerated capital allowances of £12,260,604 (2015: £10,344,626).

Notes Forming Part of the Financial Statements continued

For the year ended 31 July 2016

13. Loss per share

Basic loss per share

	2016 £	2015 £
Loss for the financial year	**(2,685,571)**	(4,468,268)
Basic weighted average ordinary shares in issue during the year	**221,345,811**	221,072,587

	Pence	Pence
Basic loss per share	**(1.21)**	(2.02)

Diluted loss per share

	2016 £	2015 £
Loss for the financial year	**(2,685,571)**	(4,468,268)
Diluted weighted average ordinary shares in issue during the year	**221,345,811**	221,072,587

	Pence	Pence
Diluted loss per share	**(1.21)**	(2.02)

The share options are not dilutive in 2016 or 2015 as a loss was incurred.

14. Losses attributable to Egdon Resources plc

The loss for the financial year dealt with in the financial statements of Egdon Resources plc was £423,381 (2015: £594,088). As permitted by Section 408 of the Companies Act 2006, no Statement of Comprehensive Income is presented in respect of Egdon Resources plc.

15. Intangible fixed assets

Group	Exploration and evaluation costs £	Other intangibles £	Total £
Cost			
At 1 August 2014	18,285,470	114,009	18,399,479
Arising on acquisition (note 17)	116,300	–	116,300
Additions	3,273,666	12,350	3,286,016
Disposals	(249,922)	–	(249,922)
Exploration written off	(3,673,780)	–	(3,673,780)
Margin on oil sales	(13,824)	–	(13,824)
At 31 July 2015	17,737,910	126,359	17,864,269
Additions	**2,141,571**	**–**	**2,141,571**
Reclassifications to D&P assets	**(1,576,467)**	**–**	**(1,576,467)**
Disposals	**–**	**–**	**–**
Exploration written off	**(58,998)**	**–**	**(58,998)**
At 31 July 2016	**18,244,016**	**126,359**	**18,370,375**
Net book value			
At 31 July 2016	**18,244,016**	**126,359**	**18,370,375**
At 31 July 2015	17,737,910	126,359	17,864,269
At 31 July 2014	18,285,470	114,009	18,399,479

The Group's unevaluated oil and gas interests at 31 July 2016 are its equity interests in licences in the UK and France held through its wholly owned subsidiaries and through its indirect subsidiaries as disclosed in note 17. Additions to exploration and evaluation costs represent exploration and appraisal costs incurred in the year in respect of unproven properties.

The amount described as exploration written off relates to licences in France and the UK where the sites have been plugged and restored following unsuccessful drilling or to the historic costs of licences relinquished in the year. Costs that are considered to have no ongoing value to the Group have been charged to the Consolidated Statement of Comprehensive Income and included within "Cost of sales – exploration costs written off and pre-licence costs".

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.

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.

Notes Forming Part of the Financial Statements continued

For the year ended 31 July 2016

16. Property, plant and equipment

Group	Development and production assets £	Equipment, fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 August 2014	15,969,334	25,774	103,911	16,099,019
Arising on acquisition (note 17)	601,493	–	–	601,493
Additions	707,154	–	–	707,154
At 31 July 2015	17,277,981	25,774	103,911	17,407,666
Additions	**278,318**	**–**	**–**	**278,318**
Disposals	**(91,494)**	**–**	**–**	**(91,494)**
Reclassifications from intangible assets	**1,576,467**	**–**	**–**	**1,576,467**
At 31 July 2016	**19,041,272**	**25,774**	**103,911**	**19,170,957**
Depreciation				
At 1 August 2014	7,491,700	22,229	90,229	7,604,158
Arising on acquisition (note 17)	513,403	–	–	513,403
Charge for the year	963,793	–	9,359	973,152
Impairment charge	478,667	–	–	478,667
Impairment released	(1,000,000)	–	–	(1,000,000)
At 31 July 2015	8,447,563	22,229	99,588	8,569,380
Charge for the year	**1,269,155**	**3,545**	**2,985**	**1,275,685**
Impairment released	**(182,000)**	**–**	**–**	**(182,000)**
Impairment charge	**825,000**	**–**	**–**	**825,000**
At 31 July 2016	**10,359,718**	**25,774**	**102,573**	**10,488,065**
Net book value				
At 31 July 2016	**8,681,554**	**–**	**1,338**	**8,682,892**
At 31 July 2015	8,830,418	3,545	4,323	8,838,286
At 31 July 2014	8,477,634	3,545	13,682	8494,861

In the current year, the depreciation charged includes impairment charges of £311,000 and £514,000 relating to the Waddock Cross and Keddington Oil Fields respectively and an impairment credit reversing an impairment of £182,000 relating to the Ceres Gas Field charged in prior periods.

In 2015, the depreciation charged included an impairment charge of £478,667 relating to the Waddock Cross Oil Field and an impairment credit reversing impairments charged in prior periods of £1,000,000 relating to the Ceres Gas Field (£500,000) and the Kirkleatham Gas Field (£500,000).

The recoverable amounts are based on estimated residual values of the wider licence area plus pre tax value in use assessed from forecast production over the life of the fields, gas prices per therm of 34p - 43p (2015: 42p - 45p), oil prices per barrel of US$43 - US$70 (2015: US$53 - US$75) and a discount rate of 8% (2015: 8%). In the current year, the impairment charge has arisen primarily as a consequence of production issues and weak forward oil prices that have impacted on revenue expectations in the short-term (2015: weak forward gas prices that have impacted on revenue expectations in the short-term). In the case of the Ceres field, the impairment reversal arises as a consequence of sustained production which has resulted in a re-evaluation of remaining recoverable reserves. In the case of the Kirkleatham field, the impairment reversal in the prior year reflects a reassessment of the future prospectivity of the unexplored wider licence areas.

As a result of recognising the impairment provision/(release) there will be a corresponding reduction/(increase) in future depreciation charges.

Company	Computer equipment £
Cost	
At 1 August 2014	27,168
Additions	–
At 31 July 2015	27,168
Additions	–
At 31 July 2016	**27,168**
Depreciation	
At 1 August 2014	20,848
Charge for the year	3,094
At 31 July 2015	23,942
Charge for the year	**1,888**
At 31 July 2016	**25,830**
Net book value	
At 31 July 2016	**1,338**
At 31 July 2015	3,226
At 31 July 2014	6,320

17. Investments in subsidiaries

	Shares in subsidiary undertakings £	Loans to subsidiary undertakings £	Total £
Balance at 1 August 2014	10,087,106	5,034,824	15,121,930
Additions in year	75,000	–	75,000
Balance at 31 July 2015	10,162,106	5,034,824	15,196,930
Additions in year	–	–	–
Balance at 31 July 2016	**10,162,106**	**5,034,824**	**15,196,930**

The shares in subsidiary undertakings represents the investment in Egdon Resources U.K. Limited, Egdon Resources Avington Ltd, Dorset Exploration Limited and Yorkshire Exploration Limited.

17. 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
Yorkshire Exploration Limited	England	Ordinary	100

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

The registered office address of the subsidiary companies is the same as that of the parent.

Acquisition in prior year

On 2 December 2014, Egdon Resources plc completed the acquisition of Yorkshire Exploration Limited. The Company, which holds an 8% interest in PEDL068 which includes the Kirkleatham gas field and the Westerdale prospect, was acquired for consideration of Egdon shares with a fair value of £75,000. The Group acquired the company in order to increase its exposure to the PEDL068 licence.

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

	Book value	Fair value adjustment	Fair value
Intangible assets	116,300	–	116,300
Tangible assets	88,090	27,994	116,084
Current assets	2,052	–	2,052
Current liabilities	(59,562)	–	(59,562)
Abandonment provision	–	(27,994)	(27,994)
Total net assets acquired	146,880	–	146,880
Excess of net assets acquired over cost (“negative goodwill”)			(71,880)
Purchase consideration			75,000
Satisfied by:			
Ordinary £0.01 shares of Egdon Resources plc			75,000

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

The consideration for the acquisition was the issue of 546,448 Ordinary 1p shares in Egdon Resources plc. The fair value of an Ordinary share at the date of acquisition was 13.725p and this was used to determine the value of £75,000 ascribed to the shares issued in the table above.

The fair value of the interest in the gas prospects acquired was determined by reference to recoverable value in use on a basis consistent with the impairment assessments applied to the Group’s existing assets using forward gas prices of 42–45p and a discount rate of 8%. For fair value hierarchy purposes, these are Level 3 assets as the valuation techniques use inputs with a significant effect on the recorded data that are not based on observable market data.

Included in the loss for 2015 was a profit of £64,824 arising from the post acquisition results of Yorkshire Exploration Limited.

Had the business combination been effected on the 1 August 2014, the revenue of the Group from continuing operations would have been £2,067,702 and the loss from continuing operations £4,468,990.

18. Trade and other receivables

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Amounts falling due within 1 year				
Trade receivables	**1,034,434**	1,132,522	**–**	–
Amounts owed by subsidiaries	**–**	–	**17,299,906**	16,163,834
VAT recoverable	**67,717**	169,695	**9,071**	17,607
Other receivables	**263,319**	263,319	**–**	–
Prepayments and accrued income	**1,175,517**	1,323,930	**67,573**	69,014
	2,540,987	2,889,466	**17,376,550**	16,250,455

Included in Prepayments and accrued income is accrued revenue of £421,301 which is not expected to be received within the next twelve months. It is anticipated that this amount will be recovered within five years of the reporting date.

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 2016 no trade receivables were considered to be impaired (2015: £nil).

As at 31 July 2016 trade receivables of £794,936 (2015: £204,680) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2016	2015
Up to 3 months past due	**342,139**	69,130
3–6 months past due	**311,904**	13,853
Over 6 months past due	**140,893**	121,697
	794,936	204,680

Other receivables do not contain impaired assets.

Notes Forming Part of the Financial Statements continued

For the year ended 31 July 2016

19. Available for sale financial assets

	Group 2016 £	Group 2015 £
At 1 August 2015	**50,000**	50,000
Additions	**–**	–
At 31 July 2016	**50,000**	50,000

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

20. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Short-term bank deposits	**2,287,938**	3,510,898	**2,018,314**	3,510,439
Restricted cash at bank	**206,316**	205,878	**–**	–
Cash at bank	**184,526**	1,463,557	**1,883**	6,968
	2,678,780	5,180,333	**2,020,197**	3,517,407

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.

21. Trade and other payables

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade payables	**839,827**	429,560	**37,615**	24,167
Other payables	**2,009**	4,600	**–**	–
Accruals and deferred income	**243,169**	506,601	**82,984**	112,025
	1,085,005	940,761	**120,599**	136,192

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

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

Credit risk

The credit risk on liquid funds is limited because the Group policy is to only deal with counterparties with high credit ratings and more than one institution is utilised to deposit cash holdings. At year end the Group had cash and cash equivalents of £2,678,780 (2015: £5,180,333) and the Company £2,020,197 (2015: £3,517,407). The balances at 31 July 2016 are held with two banks. Trade receivables comprise amounts due from trading entities and total £1,034,434 (2015: £1,132,522) for the Group and £nil (2015: £nil) for the Company (note 18). Trade receivables are mainly due from joint venture partners and the purchasers of the Group's produced oil and gas. For joint venture partners, the Group would have alternative means of recourse in the event of any credit default. The purchasers of the Group's oil and gas production are substantial companies or subsidiaries of major international companies. At the year-end, the total exposure to credit risk was £4,026,533 (2015: £6,626,174); Company £24,354,927 (2015: £24,716,065).

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 21, held at amortised cost, which total £1,085,005 (2015: £940,761). Of this balance, £925,005 (2015: £840,761) is due within one to two months. Additionally, the Group has a liability under a Net Profit Interest agreement where £3,117 (2015: £4,217) 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. These interest bearing assets are cash at bank and fixed term bank deposits (money market), most of which are sterling denominated, further detailed below:

	2016 £	2015 £
Cash at bank at floating interest rates	**2,287,938**	3,510,898
Restricted cash at bank	**206,316**	205,878
Cash at bank	**184,526**	1,463,557

22. Financial assets and liabilities continued

Cash at bank at floating interest 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 £22,879 (2015: £35,109).

The Group had no interest bearing liabilities in 2016 or 2015.

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 2016 was £26,639 (2015: £135,750); Company £nil (2015: £nil). There were no financial liabilities denominated in foreign currencies at 31 July 2016 or 31 July 2015.

A 10% change in the sterling exchange rate would result in an increase or decrease of £2,664 (2015: £13,575) 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 2016 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 40p per therm (2015: 45p) as an approximation to the selling price that is expected to 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 £102,756 (2015: £119,753).

23. Provision for liabilities

Group	Other provisions £	Decommissioning provision £	Reinstatement provision £	Total £
At 1 August 2014	30,761	917,715	339,778	1,288,254
Provision created during the year	–	645,648	150,037	795,685
Utilisation of provision during year	–	–	(225,283)	(225,283)
Disposals	–	–	(43,532)	(43,532)
Paid in the year	(10,236)	–	–	(10,236)
Unwinding of discount	–	22,400	–	22,400
As at 31 July 2015	20,525	1,585,763	221,000	1,827,288
Provision created during the year	**–**	**11,545**	**14,140**	**25,685**
Paid during the year	**–**	**–**	**–**	**–**
Transfer of provision on reclassification to D&P assets	**–**	**47,000**	**(47,000)**	**–**
Disposals	**–**	**(91,494)**	**–**	**(91,494)**
Unwinding of discount	**–**	**41,845**	**–**	**41,845**
At 31 July 2016	**20,525**	**1,594,659**	**188,140**	**1,803,324**

Company	Other provisions £	Decommissioning provision £	Reinstatement provision £	Total £
At 1 August 2014	30,761	–	–	30,761
Paid during the year	(10,236)	–	–	(10,236)
At 31 July 2015	20,525	–	–	20,525
Paid during the year	**–**	**–**	**–**	**–**
At 31 July 2016	**20,525**	**–**	**–**	**20,525**

At 31 July 2016 provision has been made for decommissioning costs on the productive fields at Keddington, Kirkleatham, Ceres, Avington, Dukes Wood/Kirklington and Waddock Cross. 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 2017 and 2021.

During the prior year an increase of £602,801 was recorded in respect of the provision for the decommissioning of the Ceres gas field.

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, £3,117 (2015: £4,217) is estimated to be payable within one year.

Notes Forming Part of the Financial Statements continued

For the year ended 31 July 2016

24. Share capital and redeemable preference shares

	1p Ordinary Shares		1p Deferred Shares		
	Allotted, called up and fully paid		Allotted, called up and fully paid		Total
	Number	£	Number	£	£
At 31 July 2014	220,799,363	2,207,993	1,195,087,887	11,950,879	14,158,872
Shares issued on acquisition of subsidiary	546,448	5,465	–	–	5,465
At 31 July 2015	221,345,811	2,213,458	1,195,087,887	11,950,879	14,164,337
At 31 July 2016	**221,345,811**	**2,213,458**	**1,195,087,887**	**11,950,879**	**14,164,337**

	Allotted, called up and partly paid	
Redeemable preference shares of £1 each (classed as liabilities)	Number	£
At 31 July 2015	50,000	12,500
At 31 July 2016	**50,000**	**12,500**

The Deferred Shares do not carry any rights to vote or any dividend rights. The Deferred Shares will not be admitted to AIM and holders will only be entitled to a payment on return of capital or winding up of the Company after each of the holders of Ordinary Shares has received a payments of £10,000,000 on each such share.

On 8 December 2014, the Company issued 546,448 Ordinary 1p shares as consideration for the acquisition of Yorkshire Exploration Limited as disclosed in note 17. The nominal value of the shares was £5,465. The fair value of the shares issued was £75,000.

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.

25. Share premium reserve

On 8 December 2014, the Company issued 546,448 Ordinary 1p shares at a premium of 12.725p creating additional share premium of £69,535.

The above share issues when added to the opening reserve (as at 1 August 2014) of £20,550,081 resulted in a closing share premium reserve carried forward of £20,619,616 (2015: £20,619,616).

26. 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.

27. Movements in cash and cash equivalents

Group	As at 31 July 2015 £	Cash flow £	As at 31 July 2016 £
Cash at bank and in hand	1,463,557	(1,279,031)	**184,526**
Term deposits	3,510,898	(1,222,960)	**2,287,938**
Restricted cash at bank	205,878	438	**206,316**
Cash and cash equivalents as per Statement of Financial Position	5,180,333	(2,501,553)	**2,678,780**

Company	As at 31 July 2015 £	Cash flow £	As at 31 July 2016 £
Cash at bank and in hand	6,968	(5,085)	**1,883**
Term deposits	3,510,439	(1,492,125)	**2,018,314**
Cash and cash equivalents as per Statement of Financial Position	3,517,407	(1,497,210)	**2,020,197**

Notes Forming Part of the Financial Statements continued

For the year ended 31 July 2016

28. Obligations under leases

At 31 July 2016 the Group had future minimum commitments under non-cancellable operating leases as follows:

	2016 £	2015 £
Within one year		
– Leases on operational and exploration and evaluation sites	**84,079**	65,061
Within one to five years		
– Land and buildings – 2017	**25,000**	18,750
– Land and buildings – 2018-2020	**73,000**	–
	182,079	83,811

Included within leases on operational and exploration and evaluation sites is £25,305 (2015: £7,338) which is expected to be capitalised.

29. Capital commitments – tangible and intangible assets

Capital commitments of £404,536 (2015: £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 2016.

30. Related party and other transactions

Mr Walter Roberts is a Non-executive Director of Egdon Resources plc and is also has joint control of Pinnacle Energy Limited, a company that provides legal and consultancy services to the oil and gas industry. During the year to 31 July 2016 Pinnacle Energy Limited invoiced the Group £42,984 (2015: £25,406) for legal and consultancy services provided at commercial rates and agreed by the Directors of the Company. At the year end £18,641 was owing to Pinnacle Energy Limited (2015: £12,740).

Alkane Energy plc is a shareholder in Egdon Resources plc. Neil O'Brien was appointed to the Board on 26 June 2014. Neil O'Brien is also a director of Alkane Energy plc. On 4 January 2016, Paul Jenkinson replaced Neil O'Brien on the Board. Paul is Chief Executive Officer and a director of Alkane Energy Plc. During the year, Egdon Resources U.K. Limited invoiced Alkane Energy Limited, a subsidiary of Alkane Energy plc, £nil (2015: £9,000) in respect of recharged licence fees. At the year end £nil (2015: £9,000) was due to Egdon Resources U.K. Limited. Alkane Energy plc group companies have invoiced Egdon Resources U.K. Limited £58,750 (2015: £36,354) in respect of recharged licence fees. There were no amounts outstanding at the year-end (2015: £36,354).

Additionally, fees accrued to Alkane Energy plc for director's services as disclosed in note 7. At the year-end £11,250 (2015: £6,250) had not been invoiced and was included in accruals.

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

	2016 £	2015 £
Time costs	**264,574**	197,979
Overhead recharged in accordance with Joint Operating Agreement	**69,685**	93,293
	334,259	291,272

The balances due from companies with interests in jointly controlled operations in respect of these transactions as at 31 July 2016 and 31 July 2015 are set out below:

	2016 £	2015 £
Due from companies with interests in jointly controlled operations	**180,341**	167,152

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:

	2016 £	2015 £
Invoiced to subsidiary companies	**1,297,751**	1,453,824

As at 31 July 2016 the balance due to Egdon Resources plc from its subsidiary undertakings was £22,334,730 (2015: £21,198,658) as shown in notes 17 and 18.

31. 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 6409716)

Directors:
Philip Stephens (Non-Executive Chairman)
Mark Abbott (Managing Director)
Jeremy Field (Executive Director)
Paul Jenkinson (Non-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

31 October 2016

Dear Shareholder,

1. Introduction

Notice of the Company's forthcoming Annual General Meeting to be held on Thursday 8 December 2016 ("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

Annual report and financial statements (Resolution 1)

A copy of the annual report and financial statements (together with the Directors' and Auditor's reports on the annual report and financial statements) for the Company for the financial year ended 31 July 2016 (the "Financial statements") has been sent to you with this document. Shareholders will be asked to receive the Financial statements at the Annual General Meeting.

Reappointment of auditors (Resolution 2)

The Company is required at each general meeting at which financial statements 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 financial statements are laid, and authorises the Directors to determine their remuneration.

Retirement by Directors (Resolutions 3, 4 & 5)

Paul Jenkinson who was appointed as a non-executive Director on 4 January 2016, retires as required and offers himself for re election. 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. Kenneth Ratcliff and Walter Roberts are the Directors retiring by rotation this year and both of them are offering themselves for re-election. Brief biographical details of each of the Directors appear on page 18 of the Financial statements.

Authority of Directors to allot shares (Resolution 6)

The authority given to the Directors to allot further shares in the capital of the Company requires the prior authorisation of the shareholders in general meeting under section 551 Companies Act 2006 ("CA 2006"). Upon the passing of Resolution 6, pursuant to paragraph (A) of the Resolution, the Directors will have authority to allot shares up to a maximum of £738,077.58 (which represents approximately one-third of the current issued share capital as at 7 November 2016, being the latest practicable date before the publication of this Letter).

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 £738,077.58 (which represents approximately a further third of the current issued share capital as at 7 November 2016, being the latest practicable date before the publication of this Letter). However, the Directors will only be able to allot those shares for the purposes of a rights issue in which the new shares are offered to existing shareholders in proportion to their existing shareholdings.

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

To the extent not already expired, the authorities conferred by Resolution 6 will expire at the conclusion of the next Annual General Meeting or, if earlier, on 31 January 2018.

Disapplication of pre-emption rights (Resolution 7)

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

Resolution 7 would authorise the Directors to do this by allowing the Directors to allot shares for cash (i) by way of a rights issue (subject to certain exclusions), (ii) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportions to their shareholdings (subject to certain exclusions) and (iii) to persons other than existing shareholders up to an aggregate nominal value of £332,134.90 (which represents approximately 15% of current issued share capital as at 7 November 2016, being the latest practicable date before the publication of this Letter). If given, to the extent not already expired, the authorities conferred by Resolution 7 will expire on the conclusion of the next Annual General Meeting or, if earlier, on 31 January 2018.

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. This year we are recommending a renewal of the same percentage disapplication of pre-emption rights as last year. This will continue to provide your Board with the flexibility to pursue investment opportunities without incurring the costs of a rights issue or the need to market part of the investment opportunity to third parties.

3. Recommendation

Your Directors consider the resolutions to be proposed at the AGM to be in the best interests of the Company and its shareholders as a whole. Consequently, the Directors recommend shareholders to vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings totalling 9,688,076 ordinary shares (representing 4.38 per cent. of the Company's issued share capital as at the date of this Letter).

A form of proxy is included for use at the AGM. Forms of proxy should be completed, signed and returned as soon as possible and in any event so as to be received by Capita Asset Services at PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF not less than 48 hours prior to the time appointed for the holding of the AGM on 8 December 2016. Completion of a proxy form will not prevent you from attending the AGM in person if you so wish.

Yours sincerely,

Philip Stephens
Chairman

Letter from the Chairman with Notice of Annual General Meeting continued

EGDON RESOURCES PLC
(Incorporated and registered in England and Wales with registered number 6409716)

Notice is hereby given that the Annual General Meeting of Egdon Resources plc (the "Company") will be held at the offices of Norton Rose Fulbright, 3 More London Riverside, London SE1 2AQ, United Kingdom on Thursday 8 December 2016 at 11.00 a.m. for the purpose of passing the following resolutions, of which Resolutions 1 to 6 will be proposed as Ordinary Resolutions and Resolution 7 will be proposed as a Special Resolution:

ORDINARY RESOLUTIONS:

1 To receive the report of the Directors and the audited accounts of the Company for the year ended 31 July 2016, together with the report of the Auditors on those audited accounts.

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

3 To re-elect Paul Jenkinson as Director who retires pursuant to article 87 of the Company's articles of association and who, being eligible, offers himself for re-election.

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

5 To re-elect 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.

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

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

(a) up to an aggregate nominal amount of £738,077.58; and

(b) comprising equity securities (within the meaning of section 560 of the Act) up to a further aggregate nominal amount of £738,077.58 in connection with an offer by way of a rights issue:

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

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

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

The authorities conferred on the Directors under paragraphs (a) and (b) above shall, 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 2018, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for, or to convert any security into, shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for, or to convert any security into, shares (as the case may be) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTION:

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

THAT, subject to the passing of Resolution 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 rights issue only):

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

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

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

(b) to the allotment (otherwise than under paragraph (a) of this Resolution 7) of equity securities up to an aggregate nominal amount of £332,134.90

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 2018, whichever is the earlier, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Dated 31 October 2016

By Order of the Board

Walter Roberts
Secretary

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

Letter from the Chairman with Notice of Annual General Meeting continued

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 12p 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 PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, not less than 48 hours before the time of the holding of the meeting or any adjournment thereof.

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

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

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

6 In order to revoke a proxy instruction you will need to inform the Company by sending notice in writing clearly stating your intention to revoke your proxy appointment to Company's Registrars, being Capita Asset Services at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. 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 close of business on 6 December 2016 shall be entitled to attend the above Annual General Meeting (or, in the case of an adjourned meeting, close of business 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 close of business on 6 December 2016 shall be disregarded in determining the rights of any person to attend and/or vote at the Annual General Meeting.

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

9 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial 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.

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

Directors, Officers and Advisors

Directors

Philip Stephens	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
Paul Jenkinson	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

Joint Broker

VSA Capital Limited
Fourth Floor
New Liverpool House
15–17 Eldon Street
London
EC2M 7LD

Financial Advisor

Evercore
15 Stanhope Gate
London
W1K 1LN

Statutory Auditor

Nexia Smith & Williamson
Chartered Accountants
25 Moorgate
London
EC2R 6AY

Accountants and Tax Advisors

BDO LLP
31 Chertsey Street
Guildford
Surrey
GU1 4HD

Legal Advisors

Norton Rose Fulbright
3 More London Riverside
London
SE1 2AQ

Financial Public Relations

Buchanan
107 Cheapside
London
EC2V 6DV

Registrars

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

Licences

As at 2 November 2016

Licences		Operator	Egdon Interest	Area km^2
UK				
1	EXL253	Egdon Resources U.K. Limited (Deep Rights)	100.000%	3.00
2	PL090 (Waddock Cross)	Egdon Resources U.K. Limited	55.000%	19.00
	PL090	Egdon Resources U.K. Limited	48.750%	183.00
3	PL161-2	Egdon Resources U.K. Limited (Deep Rights)	100.000%	18.00
4	PL161-1	Scottish Power Generation Limited	50.000%	38.00
5	PL162-1	Scottish Power Generation Limited	50.000%	114.00
6	PEDL001	Egdon Resources U.K. Limited (Deep Rights)	100.000%	11.00
7	PEDL005 (remainder)	Egdon Resources U.K. Limited	65.000%	16.50
	PEDL005 (Keddington)	Egdon Resources U.K. Limited	45.000%	7.00
8	PEDL011	Egdon Resources U.K. Limited (Deep Rights)	100.000%	6.00
9	PEDL037	Egdon Resources U.K. Limited (Deep Rights)	100.000%	10.00
10	PEDL039	Egdon Resources U.K. Limited (Deep Rights)	100.000%	3.00
11	PEDL043	Egdon Resources U.K. Limited (Deep Rights)	100.000%	57.00
12	PEDL068	Egdon Resources U.K. Limited	68.000%	83.20
13	PEDL070	Island Gas Limited (Star Energy Group)	26.670%	18.28
14	PEDL118	Egdon Resources U.K. Limited	55.560%	10.60
15	PEDL130	Egdon Resources U.K. Limited	100.000%	45.00
16	PEDL139	Island Gas Limited (Star Energy Group)	14.500%	100.00
17	PEDL140	Island Gas Limited (Star Energy Group)	14.500%	141.60
18	PEDL141	Seven Star Natural Gas Limited (Alkane Energy plc)	46.000%	100.00
19	PEDL143	Europa Oil and Gas Limited	18.400%	92.00
20	PEDL169	Egdon Resources U.K. Limited (Deep Rights)	20.000%	62.00
21	PEDL180	Egdon Resources U.K. Limited	25.000%	40.00
22	PEDL181	Europa Oil and Gas Limited	25.000%	160.00
23	PEDL182	Egdon Resources U.K. Limited	25.000%	19.00
24	PEDL191	Egdon Resources U.K. Limited (Deep Rights)	100.000%	66.00
25	PEDL201	Egdon Resources U.K. Limited	32.500%	80.00
26	PEDL202	Egdon Resources U.K. Limited (Deep Rights)	100.000%	84.00
27	PEDL203	Egdon Resources U.K. Limited	55.560%	10.50
28	PEDL209	Egdon Resources U.K. Limited	60.000%	64.00
29	PEDL241	Egdon Resources U.K. Limited	80.000%	55.00
30	PEDL253	Egdon Resources U.K. Limited	52.800%	95.00
31	PEDL258	Egdon Resources U.K. Limited	100.000%	0.50
32	PEDL259	Third Energy UK Gas Limited	49.990%	139.00
33	PEDL273	Island Gas Limited	15.000%	196.00
34	PEDL305	Island Gas Limited	15.000%	143.00
35	PEDL306	Egdon Resources U.K. Limited	30.000%	191.00
36	PEDL316	Island Gas Limited	15.000%	111.00
37	PEDL334	Egdon Resources U.K. Limited	60.000%	164.00
38	PEDL339	Egdon Resources U.K. Limited	65.000%	87.00
39	PEDL343	Third Energy UK Gas Limited	17.500%	110.00
40	P.1241	Centrica North Sea Limited	10.000%	43.00
41	P.1929	Egdon Resources U.K. Limited	100.000%	360.00
FRANCE				
42	Mairy	Hess Oil France	15.000%	255.00
43	Pontenx	Egdon Resources France Limited	100.000%	169.00

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