EGDON RESOURCES plc

Annual Report and Financial Statements

for the year ended 31 July 2017

EGDON

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 for 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 its operations

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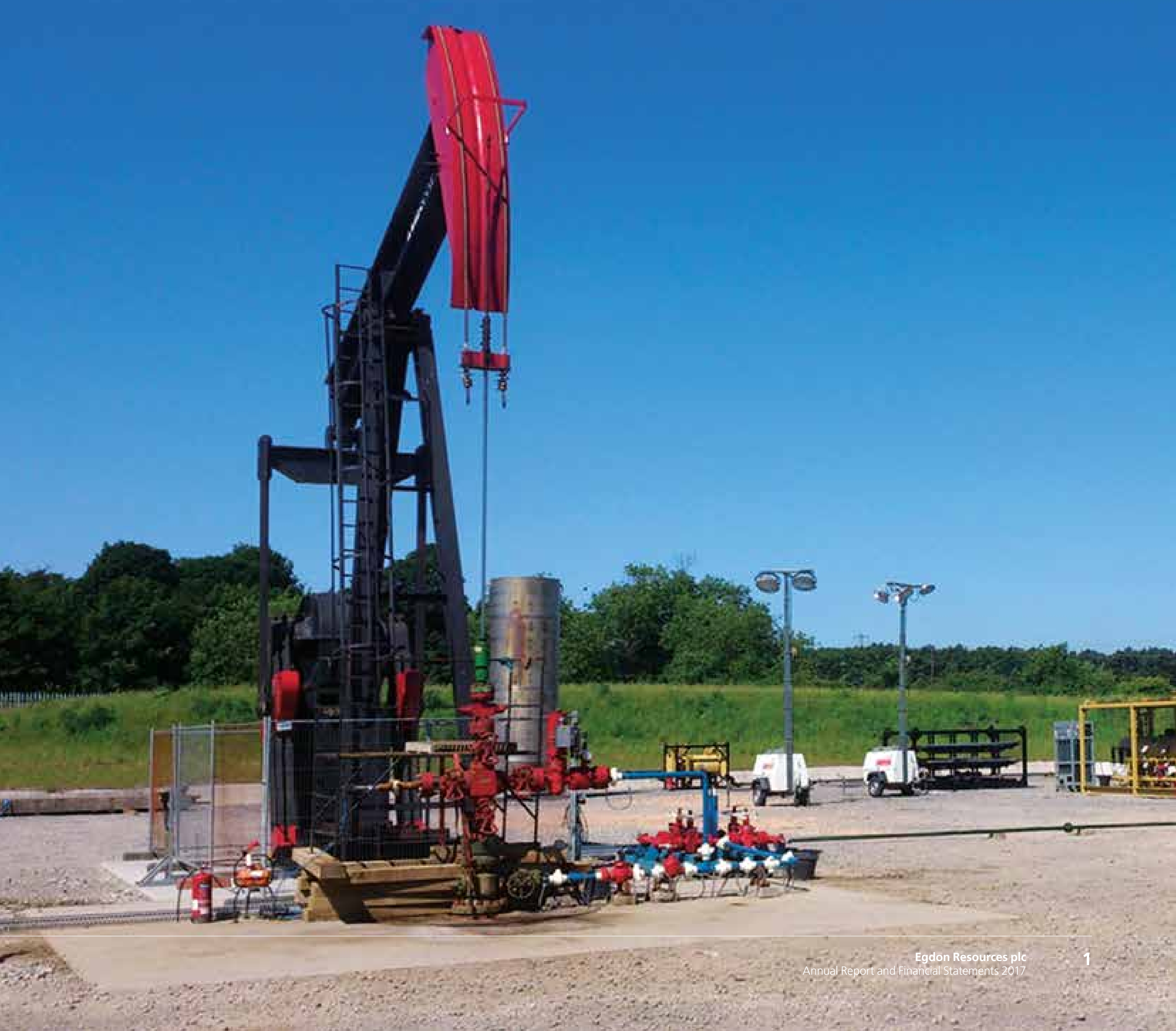
www.egdon-resources.com

"In a period of further progress we were pleased to complete an equity cash raising of £5.06 million in November 2016, which has significantly strengthened our balance sheet."



Overview

Highlights

Operational and Corporate

- Successful placing and open offer to raise £5.06 million before costs in November 2016
- Planning consent granted to operator IGas to drill up to two exploratory wells at Springs Road, North Nottinghamshire (Egdon 14.5% interest) - Egdon is carried on these initial wells
- ERC Equipoise reported an independent assessment of the undiscovered gas initially in place ("GIIP") in ten previously unassessed licences resulting in a total mean volume of 50.9 trillion cubic feet ("TCF") of gas net to the Company
- Issue of the Wressle Environmental Permit variations. Submission of the appeals against the January and July planning refusals which have been co-joined and will be considered at an appeal hearing in November 2017
- Acquisition of additional interests in PEDL068, PEDL201, PEDL306 and PEDL334
- Acquisition of a 50% interest in PEDL278 containing the Kirk Smeaton tight gas discovery and further unconventional resources potential
- Acquisition of an additional 12% interest in PEDL209 (deep) and signature of a new option agreement with Total which, if exercised, includes a carried work programme valued at up to £4.85 million to Egdon
- Acquisition of the Fiskerton Airfield producing oil field (EXL294) in the East Midlands for a cash consideration of US$750,000
- Completion of the Company's exit from France

Financial

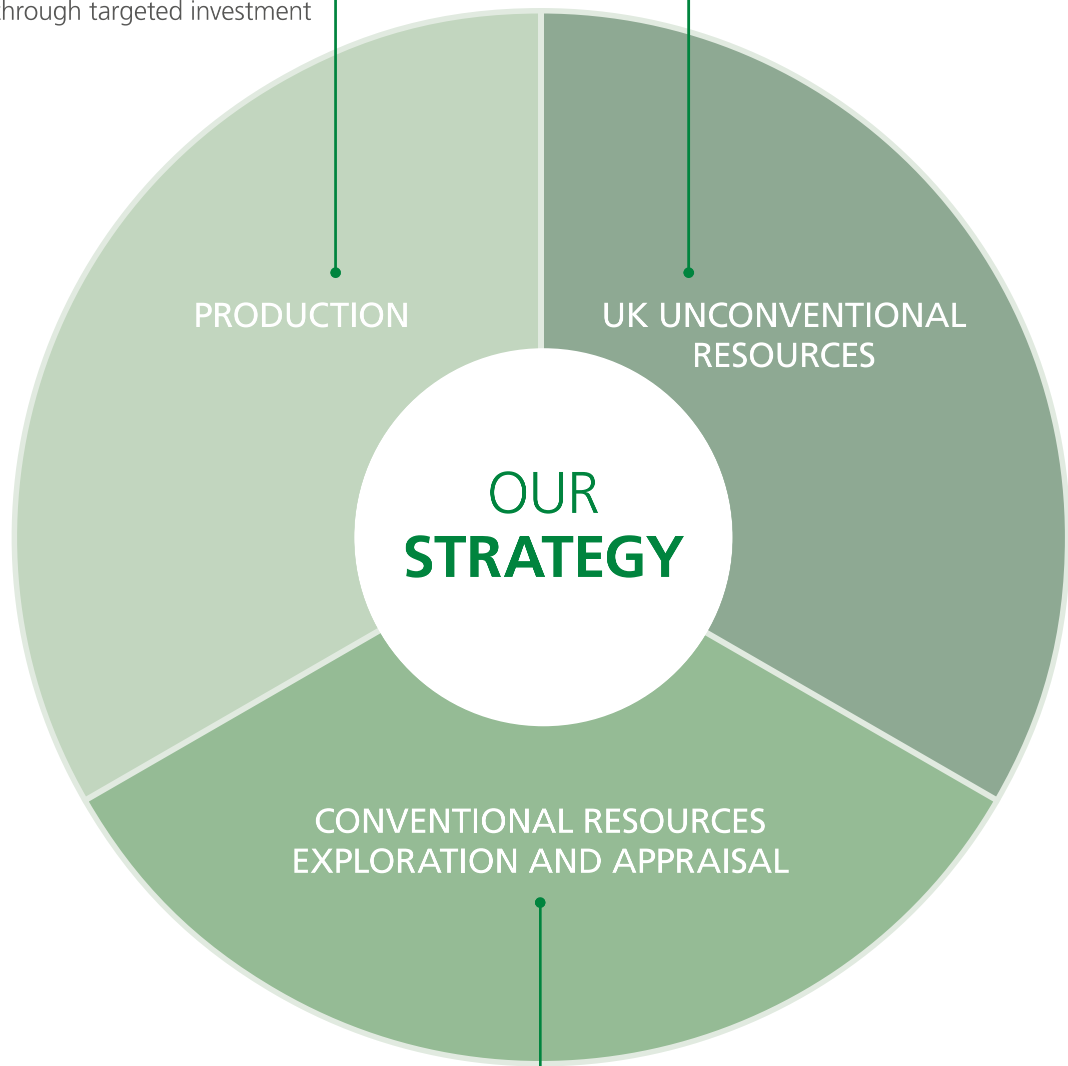
- Oil and gas revenues during the period of £1.04 million (2016: £1.59 million)
- Loss for the period of £1.70 million for the year ended 31 July 2017 after net write downs and impairments of £0.19 million (2016: loss of £2.69 million after net write downs and impairments of £0.72 million)
- Basic loss per share of 0.68p (31 July 2016: basic loss per share of 1.21p)
- Cash at bank of £6.06 million as at 31 July 2017 (31 July 2016: £2.68 million)
- Net current assets as at 31 July 2017 of £6.40 million (31 July 2016: £4.18 million)
- Net assets as at 31 July 2017 of £32.70 million (31 July 2016: £29.43 million)

Our Strategy

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

I can report that we have continued to make progress with our strategic objectives throughout this reporting period.

Highlights have included:

Placing and Open Offer:
We substantially strengthened our balance sheet during the period through a placing and open offer which raised gross proceeds of £5.06 million enabling Egdon to pursue its stated strategy.

Springs Road Planning Award:
In November 2016 Nottinghamshire County Council granted consent to develop a hydrocarbon wellsite and to drill up to two exploratory wells at Springs Road, North Nottinghamshire. We are being carried on these potentially play opening wells in the Gainsborough Trough, our core area for unconventional resources exploration, during 2018.

Growing our Unconventional Resources Assets:
Over the past three years Egdon has successfully increased its unconventional resources acreage position in Northern England by 266% to c. 205,800 acres net (833km² net) through a series of targeted acquisitions, farm-ins and success in the 14th Licensing Round.

Wressle Oil Field:
We remain committed to, and optimistic about, obtaining planning consent for the development of the Wressle oil discovery, despite the refusal of our applications in January and July 2017. We now look forward to the planning appeal in early November and the resulting decision, which is likely in early 2018.

Fiskerton Airfield Acquisition:
We acquired the Fiskerton Airfield producing oil field (EXL294) in the East Midlands which adds production from the effective date of 1 January 2017. We are confident that production levels and profitability from the field can be enhanced by well workovers.

Financial and Statutory Information
Revenue from oil and gas production during the year was lower at £1.04 million (2016: £1.59 million) on production of 38,346 barrels of oil equivalent ("boe") (2016: 64,604 boe).

The Group recorded a loss of £1.70 million for the year ended 31 July 2017, reduced by 36.7% compared to 2016, after write downs, pre-licence costs and impairments of £0.19 million (2016: loss of £2.69 million after write downs, pre-licence costs and impairments of £0.72 million).

The Group has maintained a focus on managing cash resources and at year end had net current assets of £6.40 million (2016: £4.18 million) of which £6.06 million was cash (2016: £2.68 million).

The Group remains debt free.

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

Portfolio Management

Egdon has completed its exit from France during the period. The Company had held interests in France since 1998 and with the sale of Egdon Resources (New Ventures) Limited in 2010 for £4.5 million, ultimately realised a profitable return on our French involvement.

In the UK, the Company was awarded interests in nine new licences in the 14th Licensing Round and, with the subsequent acquisition of PEDL278 and of EXL294, held effective interests in 43 UK Licences at year end (2016: 32).

UK Unconventional Resources

Over the past three years Egdon has successfully increased its unconventional resources acreage position in Northern England by 266% to c. 205,800 acres net and its undiscovered gas initially in place ("GIIP") by 180% to a mean volume of 50.9 TCF through a series of targeted acquisitions, farm-ins and success in the 14th Licensing Round.

The remainder of 2017 and the early part of 2018 is expected to see significant activity in the sector with planned drilling, hydraulic fracturing and testing of two horizontal wells at Preston New Road by Cuadrilla, hydraulic fracturing and testing operations by Third Energy at Kirby Misperton-8, and 3D seismic acquisition by INEOS in the East Midlands including over parts of Egdon's licences in the Wellbeck Low. The testing at Kirby Misperton-8 has potential read through to Egdon's interests in the neighbouring Cloughton gas discovery (PEDL343) and the prospective Carboniferous section at the Resolution Prospect offshore.

In relation to our own licence activity, the operator of PEDL140, IGas, has advised that it intends to drill Springs Road-1, the potentially play opening Gainsborough Trough exploration well, in early 2018 once all planning conditions have been discharged. This is a key well for Egdon as it is located in our core area for unconventional resources. The well will drill a thick Lower Carboniferous sequence and will provide a full suite of modern data with which to evaluate the play.

We have also made considerable technical progress on our operated and non-operated 14th Round Licences since their award and are planning new seismic acquisition on several licences during 2018.

Conventional Resources Exploration and Appraisal

There is significant potential for growth via exploration and appraisal drilling within our existing conventional resources portfolio of assets. 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.

Egdon's next drilling activity is likely to be the Holmwood-1 conventional resources exploration well in Weald Basin licence PEDL143 (operator Europa Oil and Gas Limited). Operations are expected to commence H1 in 2018 once all final approvals are in place. In addition to the Portland and Corallian sandstones, this well will target Kimmeridge limestones which have been proven at Horse Hill-1 (8km to the east of Holmwood), Brockham (5km to the north-east) and, most recently, at Broadford Bridge. Egdon's costs for this test of this high potential play will be carried up to a cap of £0.59 million.

Egdon expect to commence operations at Biscathorpe-2 (PEDL253) in early 2018 and, dependent upon securing a farm-out, at the North Kelsey Prospect (PEDL241), both located in Lincolnshire.

Egdon has made further progress during the period with the Resolution Prospect (P.1929) just offshore the North Yorkshire coast. We now plan to acquire a 3D marine seismic survey during 2018 to optimise the planning for an offshore well to appraise this 1966 gas discovery. Egdon continues to seek an industry partner and/or investors prior to commencing the survey.

Production

Production during the period was 105 boe per day ("boepd") (2016: 177 boepd), from Ceres, Keddington and Avington with a contribution from Fiskerton Airfield, in line with our latest guidance of 100-110 boepd.

Chairman's Statement

continued

"An independent evaluation of the net gas in place for our unconventional resources has given a figure of 50.9 TCF which shows an increase of 180% over the estimate made two years ago. Our conventional portfolio contains a number of very attractive prospects which we are looking to progress in the next 12 to 18 months."

Outlook

Our initial production guidance for the coming period remains at 100-110 boepd. We expect to increase this when the workovers at Fiskerton Airfield have been completed and the outcome of the planning appeal for the Wressle field development is known.

Our main operational effort during the coming period will be focused on:

- Workovers of the producing wells at Fiskerton Airfield
- Subject to the outcome of the planning inquiry, bringing the Wressle-discovery into commercial production
- Drilling of wells at Springs Road-1, Holmwood-1, Biscathorpe-2 and North Kelsey-1
- Introducing a funding partner and acquiring a marine 3D survey over the Resolution Prospect, prior to finalising a drilling location

The fundamentals of the business are robust with the Company debt free and holding a range of high potential assets in the UK, a location and jurisdiction which remains commercially attractive even under lower commodity prices. Our cash position allows us to deliver on our near-term strategy.

Lastly, I would like to thank our shareholders for their continued patient support and our dedicated team for their professionalism and hard work through the year.

Philip Stephens
Chairman
30 October 2017

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

Egdon has built a significant unconventional resources acreage position in Northern England (c. 205,800 acres net (833km² net)) 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 geological basins including the Gainsborough Trough, the Widmerpool Basin, the Cleveland Basin and the Humber Basin and has reported an independently assessed mean volume of undiscovered GIIP of 50.9 TCF.

In the Gainsborough Trough, the operator IGas has advised that it intends to drill the potentially play opening exploration well Springs Road-1 (PEDL140, Egdon 14.5% interest carried through the well) in early 2018. This is a key well for Egdon as it is located in our core area for unconventional resources, and will provide a full suite of modern data with which to evaluate the play.

In April 2017 we announced the acquisition of an additional 12% interest in PEDL209 located to the immediate east of PEDL140, and the signature of a new option agreement with Total which, if exercised, would provide for a carried work programme valued at up to £4.85 million to Egdon's 36% retained interest. Elsewhere in the same basin, we announced in June the acquisition of a non-operated 50% interest in PEDL278 containing the Kirk Smeaton tight gas discovery with additional unconventional resources potential.

We have made considerable progress on our operated and non-operated 14th Round licences since formal award in July 2016. Work to date has included extensive cuttings sampling and analysis and integration with petrophysical models, reprocessing and interpretation of existing seismic data, and interpretation of new gravity data.

In Humber Basin licence PEDL334 Egdon has reprocessed and interpreted 207km of existing vintage 2D seismic data which will inform the planning and design of a new 100km 2D seismic programme over the licence. In the Widmerpool Basin Egdon has reprocessed 450km of vintage 2D seismic data over adjoining licences PEDL306 and PEDL201 to aid in the planning of a new 50km 2D seismic programme.

In our non-operated licences in the Cleveland Basin, PEDL343 and PEDL259, operator Third Energy has carried out extensive mineralogical studies on drill cuttings from key regional wells to compare them with Kirby Misperton-8 which is expected to be tested soon. These studies have provided encouragement that the geology on these licences is similar to that penetrated by Kirby Misperton-8.

Operating Review
continued

We have begun to explore the potential for farming-out interests in certain of our licences where Egdon currently holds high equity positions as part of our strategy to advance proof of concept exploration at minimum cost to our investors.

Conventional Resources Exploration and Appraisal

France

The Company completed its exit from France during the year by withdrawing from the renewal process for both the Pontenx and Mairy permits. The Company's attention and resources are now focused solely on the UK.

UK

We have made some progress during the period with our strategy to add additional reserves through an active UK conventional resources drilling programme, whilst managing technical risk and financial exposure through farm-out and deal-making.

Egdon's next drilling activity is likely to be the Holmwood-1 conventional exploration well in Weald Basin licence PEDL143 (Egdon 18.4%) where the operator, Europa Oil and Gas ("Europa"), has advised that they expect to commence operations in H1 2018 once all final approvals are in place. In addition to targets in the Portland and Corallian sandstones, where Europa has Estimated Mean Prospective Resources of 5.6 million barrels ("mmbbls") of oil (net Egdon 1.03 mmbbls), Holmwood-1 will also test the highly prospective Kimmeridge limestone play. The Horse Hill-1 well (UK Oil and Gas Investments plc ("UKOG")) is located some 8km to the east of Holmwood in a similar structural position and tested 323 barrels of oil per day ("bopd") from Portland sandstones and 1,365 bopd in total from two limestone intervals in the Kimmeridge Clay Formation. Egdon's costs are carried on the Holmwood-1 well by UKOG up to a cap of £0.59 million. Over the next few months extended well tests at Horse Hill-1 ("UKOG"), production at Brockham (Angus Energy plc) and testing at Broadford Bridge-1 ("UKOG") will provide further insights into the commerciality of the Kimmeridge limestone play and its potential at Holmwood.

The Oil and Gas Authority ("OGA") has granted Egdon licence extensions for both PEDL253 (Biscathorpe) and PEDL241 (North Kelsey) to 30 June 2018. In July, Egdon announced the issue of the Environmental Permit required for the operated Biscathorpe-2 exploration well in Lincolnshire licence PEDL253. The Biscathorpe Prospect is estimated by Egdon to hold Mean Prospective Resources of 14 mmbbls of oil (Egdon 7.3 mmbbls). Operations at Biscathorpe-2 are expected to commence early in 2018.

We also continue to pursue partnership opportunities for the North Kelsey Prospect in Lincolnshire licence PEDL241 where we estimate Mean Prospective Resources of 6.5 mmbbls of oil (Egdon 5.2 mmbbls) in stacked reservoir targets, and hope to drill the well by mid-2018.

Egdon has made continued progress with the Resolution Prospect (337 billion cubic feet ("bcf") of gas, Egdon 100%) in UK offshore licence P.1929. Following the interpretation and mapping of reprocessed seismic data, we now plan to acquire a new 3D seismic survey during 2018 to confirm the potential resource volumes and enable optimisation of the planning for an offshore appraisal well. Egdon has completed the design, feasibility and tendering for this survey and is actively seeking an industry partner and/or investor for this next stage of the project. The 3D survey will also assist in quantifying the Carboniferous potential within and around the Resolution Prospect where prospectivity in tight gas sands, a play currently being tested by BP offshore and Third Energy onshore, may be significant on this large regional structural high.

Production

Production during the period was 105 boepd (2016: 177 boepd) from Ceres, Keddington, Avington and Fiskerton Airfield, in line with the revised guidance of 100-110 boepd. Production was lower than originally expected at the start of the period due to the timing of Ceres maintenance and the delay to the expected start-up of the Wressle oilfield development.

The Ceres gas field has been shut-in since October 2016 with attributable production derived from "back-out" gas produced from the Mercury and Neptune gas fields. Installation of a new flow meter at Ceres, expected in 2018 will facilitate simultaneous production from Ceres with the other fields in the system. The timing of the 2016 (September-October) and 2017 (July) maintenance shut-downs has resulted in only nine months of production contribution from Ceres during the reported financial year which has resulted in a reduction in revenue in the year.

The Keddington oil field continues to produce in line with forecasts from the K-3Z well at c. 24 bopd (net to Egdon 11 bopd) and we now expect to take a decision on further drilling on the field in early 2018. Avington also continues to produce broadly in line with expectations.

In July 2017 Egdon announced the acquisition of 100% of the producing Fiskerton Airfield oil field in Lincolnshire licence EXL294 for $0.75 million. The field has suffered from a lack of investment over recent years and we plan to undertake simple, low-cost workover operations to enhance production and profitability in the short-term, adding valuable near-term cash-flow to Egdon's portfolio. In the longer term, we will investigate the potential to enhance productivity through in-fill drilling. The acquisition has an effective date of 1 January 2017.

A significant focus during the period has been to progress our Wressle oilfield development, where planning consent was refused by the North Lincolnshire District Council Planning Committee at meetings in January and July 2017 despite recommendations to approve from the council's planning officers on each occasion. We have co-joined appeals against both of these decisions and a planning inquiry is to be held in early November 2017.

The inquiry will be heard by an independent planning inspector who will consider the applications in the context of their planning merits. A successful outcome to this process would lead to the commencement of operations to establish long-term production which would be expected to add 125 bopd to Egdon's production. The Environmental Permits for the development were granted in April 2017.

Egdon has interests in a number of currently shut-in fields where we continue to seek innovative ways of bringing them back into profitable production. For example, we have initiated discussions with third parties on potential further investment in, and the restarting of production from, the shut-in Dukes Wood (PEDL118) and Kirklington (PEDL203) oil fields. If an agreement were to be reached we would expect operations to commence in 2018.

We also continue to evaluate the shut-in Waddock Cross oil field (PL090) where we have nearly completed reprocessing 3D seismic data, and the Kirkleatham gas field (PEDL068) where we have completed specialist processing of key seismic lines to confirm the remaining unproduced gas resources and have identified additional gas potential within the underlying Carboniferous sandstones.

Outlook

Production guidance for the coming financial year is stable at 100-110 boepd from Ceres, Keddington, Avington and Fiskerton Airfield. This will be revisited once the results of the workovers at Fiskerton Airfield and the outcome of the Wressle planning inquiry are known. For example, a successful outcome to the planning appeals for Wressle could add 125 bopd to Egdon's production later in the 2017-2018 financial year.

In addition to pursuing the Wressle planning inquiry, our main operational focus during the coming period will be:

- Completing the workover operations at Fiskerton Airfield
- Drilling the exploration wells at Springs Road-1 and Holmwood-1 where we have significant carried positions
- Introducing a partner and acquiring the marine 3D seismic survey over the Resolution Prospect and progressing with plans for drilling
- Drilling exploration wells at Biscathorpe-2 and potentially North Kelsey-1 in 2018
- Progressing farm-out discussions in certain of our unconventional resources assets

We are at an important juncture in terms of UK Onshore sector activity with the coming period seeing the drilling and testing of several unconventional resources wells and the long-term testing of the Kimmeridge limestones play, potentially leading to an increased valuation for the UK onshore sector as a whole and especially those companies with a broad range of acreage exposure such as Egdon. Springs Road-1 will be especially important to us in this respect. Positive news from these activities will help drive our planned farm-out activity in these narrowly held opportunities. With this background, the quality of our assets, our planned operations, and current financial position, we remain confident 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
30 October 2017

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 UK 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.

Oil and Gas Reserves and Resource Estimates

Class of reserve/resource	Proven	Proven + probable	Proven + probable + possible	Units	Field/Prospect Name
Net Oil Reserves	0.28	0.56	0.96	mmbbls	Keddington, Avington, Dukes Wood/ Kirklington, Wressle, Waddock Cross phase 1, Fiskerton Airfield
	Low Estimate	Best Estimate	High Estimate		
Net Oil Contingent Resources	0.35	0.97	2.11	mmbbls	Wressle (Penistone), Waddock Cross phase 2
Net Oil Prospective Resources (conventional)	11.53	22.71	50.36	mmbbls	Louth, North Kelsey, Biscathorpe, Casterbridge/Broadmayne and others
Total Net Oil Prospective Resources	11.53	22.71	50.36	mmbbls	

Class of reserve/resource	Proven	Proven + probable	Proven + probable + possible	Units	Field/Prospect Name
Net Gas Reserves	0.81	1.18	1.94	bcf	Ceres, Nooks Farm, Wressle
	Low Estimate	Best Estimate	High Estimate		
Net Gas Contingent Resources	4.29	6.73	10.05	bcf	Kirkleatham, Keddington Namurian, Westerdale, Wressle (Penistone)
Net Gas Prospective Resources (conventional)	230.22	378.25	585.54	bcf	Resolution Prospect, Kirk Smeaton, North Somercotes and others
Net Gas Prospective Resources (unconventional)	1,190.82	3,656.51	11,042.88	bcf	UK Northern England shale-gas assets
Total Net Prospective Gas Resources	1,421.04	4,034.76	11,628.42	bcf	
Total Contingent and Prospective Resources	249.43	697.26	1,992.21	mmboe	

Note: all numbers are Company estimates (2017) except Wressle which is ERC Equipoise (2016).

United Kingdom Licences Summary

KEY

- Producing Asset Oil
- Producing Asset Gas
- Discovery Oil
- Discovery Gas
- Conventional Oil/Gas Prospect
- Unconventional Gas Prospect

- Egdon Licences

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

Resolution	P.1929
	100%

- Upper Permian Zechstein carbonate gas discovery, 1966 Total well 41/18-1 flowed at 2.5 mmcfg/d (following acidisation)
- Marine 3D survey planned for 2018
- Net Egdon Mean Prospective Resources of 337 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 50.9 TCF

Holmwood	PEDL143
	18.4%

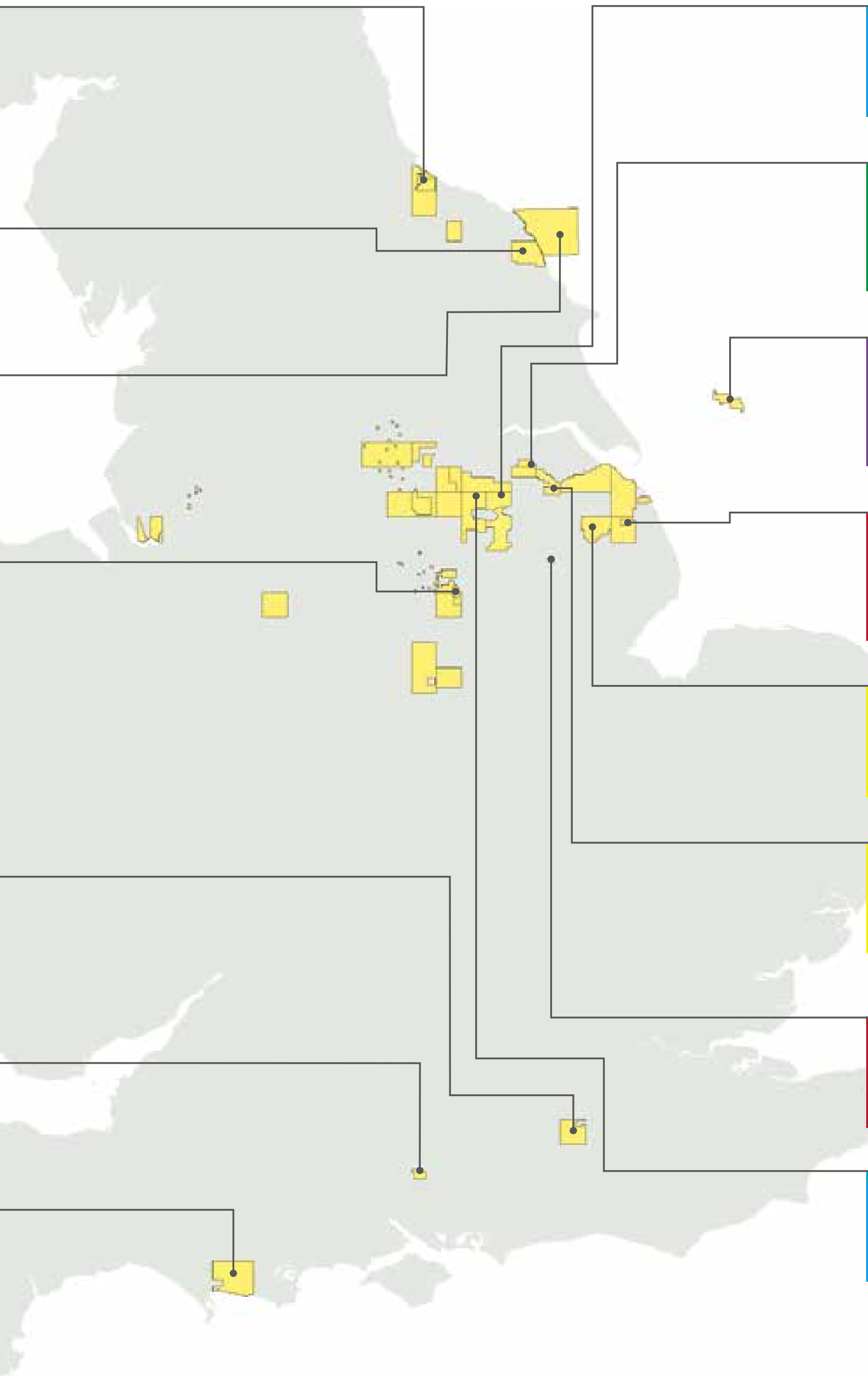
- Early 2018 well, Egdon largely carried
- Kimmeridge Limestone potential identified as proved at Horse Hill, Broadford Bridge and Brockham

Avington	PEDL070
	26.67%

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

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



Laughton

PEDL209	72%

- Acquired additional 12% interest in deeper intervals
- New opt-in agreement

Wressle

PEDL180	25%

- Planning refused in January and July 2017
- Planning inquiry November 2017
- 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
- Field currently shut-in with production of back-out gas from Mercury and Neptune

Keddington

PEDL005(R)	45%

- Production from Carboniferous Sandstone reservoir at 2,200 metres depth
- Options for further drilling under review

Biscathorpe

PEDL253	52.8%

- Exploration well planned for 2018
- Well to target 7.3 mmbls Mean Prospective Resources (Net Egdon)

North Kelsey

PEDL241	80%

- Exploration well planned for 2018 subject to farmout
- Well to target 5.2 mmbls Mean Prospective Resources (Net Egdon)

Fiskerton Airfield

EXL294	100%

- Production from Carboniferous Sandstone reservoir
- Workovers planned for 2018 on FA-3 and FA-1 wells

Springs Road

PEDL139/40	14.5%

- Carried shale-gas exploration well - Springs Road-1, drilling 2018 subject to final approvals

Financial Review

Ken Ratcliff
Chairman of
Audit Committee

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.

Results

The Group recorded a loss after tax of £1.70 million for the period (2016: £2.69 million) after impairments and pre-licence costs amounting in total to £0.19 million (2016: £0.72 million).

Revenue from oil and gas production during the year was down 34.5% to £1.04 million (2016: £1.59 million) reflecting a decrease in production levels whilst Ceres has been shut-in, partially offset by improved commodity prices. The Company continues to take comfort in the fact that the majority of its production can remain profitable at the point of extraction even at the prevailing prices.

Cost of sales have decreased since 2016, due to write downs in the prior year in respect of Keddington and Waddock Cross. The current year financial statements reflect write-offs in relation to the French site Pontenx, following the decision not to proceed with the permit renewal process and to cease operations in France. Additionally, production costs and depreciation have decreased significantly over the period that Ceres has been shut in.

Administrative expenses have remained at a similar level to 2016.

Loss per share for the period was 0.68p (2016: 1.21p). Exploration costs written off and pre-licence costs amounted to £191,252 (2016: £74,523) inclusive of write-offs in respect of one relinquished licence (2016: one). Additionally, following on from the normal periodic impairment review of asset values, no net impairment has been made in the financial statements (2016: £643,000).

No taxation charge arises on the result for the year. As at 31 July 2017, the Group had carry forward tax losses of £40,576,143 (2016: £42,154,178). The reduction in available losses primarily reflects the decision to exit France and assumes that the Company will no longer be able to access the losses that arose in relation to its French assets.

KPIs	For the year ended 31 July 2017	For the year ended 31 July 2016	Change %
Revenues	£1.04 million	£1.59 million	-34.47%
Total Comprehensive Income (Loss)	£(1.70) million	£(2.69) million	36.74%
Net Current Assets (including cash)	£6.40 million	£4.18 million	52.87%
Equity	£32.70 million	£29.43 million	11.11%
Production Volumes	38,346 boe	64,604 boe	-40.64%
Number of Licences	43	43*	0%
Best Estimate Resources	697 mmboe	631 mmboe	10.46%
Reportable Health and Safety Incidents	0	0	0%

* Includes 14th Round Licences offered during the period and awarded post year end.

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 £6.40 million (2016: £4.18 million) of which £6.06 million was cash and cash equivalents (2016: £2.68 million).

The movement in receivables reflects the normal working capital movements commensurate with a business of this nature. Trade and other payables include net consideration of £500,630 due in respect of the acquisition of the Fiskerton Airfield producing field which was completed post year end.

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

Key Performance Indicators

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

Financial Review

continued

Risk Management

The Board takes into consideration a broad and comprehensive analysis of potential risk factors that may affect the business of the Group. 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 continued to have an impact on the business during the year.

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, planning 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 and engage with all stakeholders.

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	Increase number and breadth of producing assets to reduce reliance on single-site performance.

Ken Ratcliff,
Chairman of Audit Committee
30 October 2017

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 seven times in the year to 31 July 2017. All meetings were attended by all Directors, except two from which one Director was absent. In addition, six meetings were held which were only partly attended as they were merely to record formal approval of matters already approved in principle.

A statement of the Directors' responsibilities in respect of the financial statements is set out on page 21.

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 and did so in the year to 31 July 2017.

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 to consider salary increases for Executive and Non-executive Directors. Although it only met formally once in the year to 31 July 2017, 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, 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.

Board of Directors

Philip Stephens
Chairman
Philip retired from the City in 2002 after nearly 40 years working in UK Corporate Finance for various financial institutions including Lazards, Chase Manhattan and UBS where he was head of UK Corporate Finance. Since 2002 Philip has served on the boards of many companies as a Non-executive Director mostly as Chairman.

Mark Abbott
Managing Director
Mark is an experienced geophysicist and founding Director of Egdon Resources plc. Mark 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
Technical Director
Jerry has over 37 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. Walter 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 was 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. Ken is a long-serving Justice of the Peace and Tier 1 judge in the Family Court as well as currently serving as a Director and Trustee of the Phyllis Tuckwell Hospice.

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.

Directors' Report

The Directors submit their report together with the audited consolidated financial statements of Egdon Resources plc for the year ended 31 July 2017.

Business Review

The principal activity of the Group during the year continued to be exploration and production of hydrocarbons in the UK and, for part of the year, 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 incidents during the year (2016: none).

Results and Dividends

The Group recorded a loss after tax of £1.70 million for the year (2016: loss £2.69 million). The loss for the year is after charging impairments, exploration write-downs and pre-licence costs of £0.19 million (2016: £0.72 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 259,984,822 Ordinary shares are issued and fully paid. Details of movements in share capital during the year are given in Note 23 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
Petrichor Holdings Coperatif, U.A.	16.20%
Alkane Energy UK	15.39%
Premier Oil PLC	15.08%
Canaccord Genuity Group Inc.	10.70%
Hargreaves Lansdown Asset Mgt	5.29%

No Directors 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 pages 18-19. 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 21 to the financial statements.

Employees

The Group had 12 employees as at 31 July 2017 (2016: 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
30 October 2017

Statement of Directors' 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.

Independent Auditor’s Report
to the members of Egdon Resources plc

Opinion
We have audited the financial statements of Egdon Resources plc (the “Parent Company”) and its subsidiaries (the “Group”) for the year ended 31 July 2017 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 Parent Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

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 2017 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.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group’s or the Parent Company’s ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Key audit matters
We identified the key audit matters described below as those that were of most significance in the audit of the financial statements of the current year. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying values and impairment of exploration and evaluation costs and development and production assets

Description of the risk

The Group has a significant asset base and commodity prices continue to be low in comparison to prices in the recent past and previous forecasts of future prices.

The Group's impairment assessments require significant judgement, in particular regarding recoverable reserves, production profiles, commodity prices, costs of production, discount rates and sensitivity assumptions.

Our response to the risk

We challenged the assumptions used in the impairment models described in notes 14 (exploration and evaluation costs) and 15 (development and production assets).

As part of our procedures we:

- assessed if the Director's impairment model is consistent with the requirements of IFRSs and whether all relevant assets had been subject to review;
- for development and production assets, compared forecast future production with historical trading performance and in particular considering production volumes and costs of production;
- assessed the appropriateness of the key assumptions, the most significant of these being future commodity prices, discount rates and reserves;
- assessed if the outcome of the impairment reviews had been properly reflected within the financial statements.

Revenue recognition

Description of the risk

The Group's revenue is self-billed by the Group's customers. There is a risk that the revenue may be incomplete or that the revenue received may be inconsistent with the actual production.

Our response to the risk

The Group's revenue recognition policy is stated in Note 2 to the financial statements under the heading "Revenue and other operating income".

For recorded revenues from gas sales we reviewed the client's reconciliation of production records to sales records and confirmed that the reconciliation agreed to relevant supporting information.

For each field on production in the year, we agreed recorded revenue to the customers' self bills and confirmed that the self bills covered the entire reporting year.

For income previously accrued in prior years and received in the current year, we confirmed that the movement in accrued income agreed with the reduction in the volume of gas accrued and that the value ascribed to that volume, and to the volume of accrued gas carried forward, was consistent with future gas prices.

Estimation of decommissioning and reinstatement provisions

Description of the risk

As described in note 22, the estimation of decommissioning and reinstatement provisions are inherently subjective, requiring the forecasting of the future cost of undertaking the required work and the timing of that future work, both of which are uncertain at the current time; the estimates also require that a suitable discount rate be applied.

Independent Auditor's Report *continued*

to the members of Egdon Resources plc

Our response to the risk

We reviewed the estimate of the decommissioning and reinstatement provisions and considered:

- if the provisions had been adjusted for any change in licence interests;
- if the provisions reflected any additional obligations arising in the year, for example as a result of additional drilling activities;
- the bases on which future costs are estimated and the consistency of those estimates with actual reinstatement and decommissioning costs incurred by the Group in prior years and other relevant information;
- whether the movements in the decommissioning and reinstatement provisions in the year have been expensed through profit and loss, or reflected in the capitalised costs of the related assets.

Carrying values and impairment of the Parent Company's investment in its subsidiaries and balances due to the Parent Company from its subsidiaries

Description of the risk

Due to accumulated losses incurred by the subsidiaries of the Parent Company, the value of investments held by the Parent Company in those subsidiaries and the value of receivables due to the Parent Company from those subsidiaries may not be recoverable. This could lead to impairment in these asset values on the Parent Company's Statement of Financial Position.

As described in Note 2 under the heading "Inter-company balances and investment" the Parent Company has compared the underlying values of the subsidiaries to the Parent Company's net investment in the subsidiaries; the underlying asset values are derived from the output from the impairment tests carried out in respect of exploration and evaluation costs and development and production assets; the risks relating to these tests are described above.

Our response to the risk

We compared the Parent Company's total investment in each subsidiary (comprising the cost of the investment in, and balance due from, that subsidiary) to the subsidiary's gross assets less third party liabilities.

Where there was a material shortfall, we also included the relevant headroom identified in management's impairment forecasts, which were subject to audit as described above.

Our application of materiality

The materiality for the Group financial statements as a whole was set at £1,562,500. This has been determined with reference to the benchmark of the Group's net assets, which we consider to be one of the principal considerations for members of the Parent Company in assessing the performance of the Group. Materiality represents 5% of the Group's net assets as presented on the face of the Group's Statement of Financial Position.

The materiality for the Parent Company financial statements as a whole was set at £1,250,000. This has been determined with reference to the benchmark of the Parent Company's net assets as the Parent Company exists only as a holding company for the Group and carries on no trade in its own right. Materiality represents 5% of net assets as presented on the face of the Parent Company's Statement of Financial Position, capped at 80% of group materiality.

An overview of the scope of our audit

The Group has eight reporting components, all of which are UK limited companies. We are appointed auditor and have performed audits of the financial statements of each company. The majority of the Group's assets and liabilities are located in the UK. All group entities have common management and centralised process and controls. Therefore our audit work was all conducted in solely the UK.

Other information

The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our Auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 21, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor’s Report *continued*

to the members of Egdon Resources plc

Auditor’s responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor’s Report.

Andrew Bond
Senior Statutory Auditor, for and on behalf of Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

30 October 2017

Consolidated Statement of Comprehensive Income

for the year ended 31 July 2017

	Notes	2017 £	2016 £
Continuing operations			
Revenue	3	**1,039,348**	1,586,120
Cost of sales – exploration costs written off and pre-licence costs		**(32,961)**	(74,523)
Cost of sales – write off of French assets		**(158,291)**	–
Cost of sales – impairments and impairment reversals		**–**	(643,000)
Cost of sales – depreciation		**(462,500)**	(1,269,155)
Cost of sales – other		**(922,510)**	(1,219,218)
Total cost of sales		**(1,576,262)**	(3,205,896)
Gross loss		**(536,914)**	(1,619,776)
Administrative expenses		**(1,178,249)**	(1,144,720)
Other operating income		**58,145**	112,456
		(1,657,018)	(2,652,040)
Finance income	10	**4,947**	8,314
Finance costs	11	**(46,775)**	(41,845)
Loss before taxation	4	**(1,698,846)**	(2,685,571)
Taxation	12	**–**	–
Loss for the year		**(1,698,846)**	(2,685,571)
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year attributable to equity holders of the Parent		**(1,698,846)**	(2,685,571)
Loss for the year per share			
Basic loss per share	13	**(0.68)p**	(1.21)p
Diluted loss per share	13	**(0.68)p**	(1.21)p

Consolidated Statement of Financial Position

As at 31 July 2017

	Notes	2017 £	2016 £
Non-current assets			
Intangible assets	14	**19,230,801**	18,370,375
Property, plant and equipment	15	**9,263,814**	8,682,892
Total non-current assets		**28,494,615**	27,053,267
Current assets			
Trade and other receivables	17	**1,506,610**	2,540,987
Available for sale financial assets	18	**50,000**	50,000
Cash and cash equivalents	19	**6,056,824**	2,678,780
Total current assets		**7,613,434**	5,269,767
Current liabilities			
Trade and other payables	20	**(1,216,166)**	(1,085,005)
Net current assets		**6,397,268**	4,184,762
Total assets less current liabilities		**34,891,883**	31,238,029
Non-current liabilities			
Provisions	22	**(2,187,056)**	(1,803,324)
Net assets		**32,704,827**	29,434,705
Equity			
Share capital	23	**14,550,727**	14,164,337
Share premium	24	**25,202,194**	20,619,616
Share-based payment reserve		**225,033**	226,401
Retained earnings		**(7,273,127)**	(5,575,649)
		32,704,827	29,434,705

These financial statements were approved by the Board of Directors and authorised for issue on 30 October 2017.

They were signed on its behalf by:

Mark Abbott
Managing Director

Company registration number 06409716

Company Statement of Financial Position

As at 31 July 2017

	Notes	2017 £	2016 £
Non-current assets			
Property, plant and equipment	15	–	1,338
Investments	16	**15,196,930**	15,196,930
Total non-current assets		**15,196,930**	15,198,268
Current assets			
Trade and other receivables	17	**18,782,410**	17,376,550
Cash and cash equivalents	19	**5,175,421**	2,020,197
Total current assets		**23,957,831**	19,396,747
Current liabilities			
Trade and other payables	20	**(144,722)**	(120,599)
Net current assets		**23,813,109**	19,276,148
Total assets less current liabilities		**39,010,039**	34,474,416
Non-current liabilities			
Provisions	22	**(20,525)**	(20,525)
Net assets		**38,989,514**	34,453,891
Equity			
Share capital	23	**14,550,727**	14,164,337
Share premium	24	**25,202,194**	20,619,616
Merger reserve	25	**2,357,816**	2,357,816
Share-based payment reserve		**225,033**	226,401
Retained earnings		**(3,346,256)**	(2,914,279)
		38,989,514	34,453,891

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the Parent Company profit and loss account. The Company loss for the financial year is £433,345 (2016: loss £423,381).

These financial statements were approved by the Board of Directors and authorised for issue on 30 October 2017.

They were signed on its behalf by:

Mark Abbott
Managing Director

Company registration number 06409716

Consolidated Statement of Cash Flows

For the year ended 31 July 2017

	2017 £	2016 £
Cash flows from operating activities		
Loss before tax	**(1,698,846)**	(2,685,571)
Adjustments for:		
Depreciation and impairment of fixed assets	**463,838**	1,918,685
Exploration costs written off	**176,840**	44,564
Foreign exchange loss/(gains)	**16,208**	(27,546)
Revaluation of accrued income	**–**	103,258
Decrease in trade and other receivables	**1,034,480**	215,698
(Decrease)/increase in trade payables and other payables	**(456,255)**	172,818
Finance costs	**46,775**	41,845
Finance income	**(4,947)**	(8,314)
Share-based remuneration charge	**–**	65,971
Cash used in operations	**(421,907)**	(158,592)
Interest paid	**–**	–
Taxation paid	**–**	–
Net cash flow used in operating activities	**(421,907)**	(158,592)
Investing activities		
Finance income	**4,947**	8,314
Payments for exploration and evaluation assets	**(908,323)**	(2,141,571)
Purchase of property, plant and equipment	**(145,433)**	(237,250)
Net cash used in capital expenditure and investing activities	**(1,048,809)**	(2,370,507)
Financing activities		
Issue of shares	**5,075,023**	–
Costs associated with issue of shares	**(210,055)**	–
Net cash flow generated from financing	**4,864,968**	–
Net Increase/(decrease) in cash and cash equivalents	**3,394,252**	(2,529,099)
Cash and cash equivalents as at 31 July 2016	**2,678,780**	5,180,333
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(16,208)**	27,546
Cash and cash equivalents as at 31 July 2017	**6,056,824**	2,678,780

In 2017 significant non-cash transactions comprised the issue of equity share capital with a market value of £104,000 as consideration for the acquisition of additional interests in licences PEDL201 and PEDL209.

In 2016 there were no significant non-cash transactions.

Company Statement of Cash Flows

For the year ended 31 July 2017

	2017 £	2016 £
Cash flows from operating activities		
Loss before tax	**(433,345)**	(423,381)
Adjustments for:		
Depreciation of plant and equipment	**1,338**	1,888
Increase in trade and other receivables	**(1,301,760)**	(1,126,096)
Increase/(decrease) in trade payables	**24,023**	(15,592)
Share-based remuneration charge	**–**	65,971
Finance costs	**–**	–
Finance income	**(4,852)**	(7,875)
Cash used in operations	**(1,714,596)**	(1,505,085)
Interest paid	**–**	–
Net cash flow used in operating activities	**(1,714,596)**	(1,505,085)
Investing activities		
Finance income	**4,852**	7,875
Net cash generated from capital expenditure and financial investment	**4,852**	7,875
Financing activities		
Issue of shares	**5,075,023**	–
Costs associated with issue of shares	**(210,055)**	–
Net cash flow generated from financing	**4,864,968**	–
Net Increase/(decrease) in cash and cash equivalents	**3,155,224**	(1,497,210)
Cash and cash equivalents as at 31 July 2016	**2,020,197**	3,517,407
Cash and cash equivalents as at 31 July 2017	**5,175,421**	2,020,197

In 2017 significant non-cash transactions comprised the issue of equity share capital with a market value of £104,000 as consideration for the acquisition of additional interests in licences PEDL201 and PEDL209.

In 2016 there were no significant non-cash transactions.

Consolidated Statement of Changes in Equity

For the year ended 31 July 2017

	Share capital £	Share premium £	Share based payment reserve £	Retained earnings £	Total equity £
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
Loss for the year	**–**	**–**	**–**	**(1,698,846)**	**(1,698,846)**
Total comprehensive income for the year	**–**	**–**	**–**	**(1,698,846)**	**(1,698,846)**
Issue of shares	**384,615**	**4,775,988**	**–**	**–**	**5,160,603**
Share issue costs	**–**	**(210,055)**	**–**	**–**	**(210,055)**
Share options exercised	**1,775**	**16,645**	**(1,368)**	**1,368**	**18,420**
Balance at 31 July 2017	**14,550,727**	**25,202,194**	**225,033**	**(7,273,127)**	**32,704,827**

Company Statement of Changes in Equity

For the year ended 31 July 2017

	Share capital £	Merger reserve £	Share premium £	Share-based payment reserve £	Retained earnings £	Total equity £
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
Loss for the year	**–**	**–**	**–**	**–**	**(433,345)**	**(433,345)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(433,345)**	**(433,345)**
Issue of shares	**384,615**	**–**	**4,775,988**	**–**	**–**	**5,160,603**
Share issue costs	**–**	**–**	**(210,055)**	**–**	**–**	**(210,055)**
Share options exercised	**1,775**	**–**	**16,645**	**(1,368)**	**1,368**	**18,420**
Balance at 31 July 2017	**14,550,727**	**2,357,816**	**25,202,194**	**225,033**	**(3,346,256)**	**38,989,514**

Notes Forming Part of the Financial Statements
For the year ended 31 July 2017

1. General information
Egdon Resources plc is a public company limited by shares 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.

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.

After making enquiries and considering relevant uncertainties, 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
Other than minor changes to standards arising from annual improvements, 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.

The following EU adopted revised or new standards have yet to be adopted. These standards will be adopted for the years ended 31 July 2019 and 31 July 2020 as shown below:

- IFRS 9 Financial Instruments (effective 31 July 2019)
- IFRS 15 Revenue from contracts with customers (effective 31 July 2019)
- IFRS 16 Leases (effective 31 July 2020, subject to EU endorsement)

The potential impact on the Group's financial statements is under review.

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 business 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.

2. Accounting policies continued

Intangible assets – exploration and evaluation assets

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

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

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

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

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.

On acquisition of a D&P asset from a third party, the asset will be recognised in the financial statements on signature of the sale and purchase agreement, subject to satisfaction of any substantive conditions within the agreement.

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 Flows includes overdrafts where relevant.

2. Accounting policies continued

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.

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.

Notes Forming Part of the Financial Statements *continued*

For the year ended 31 July 2017

2. Accounting policies continued

Use of judgements and estimates when preparing the annual financial statements

Preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions affecting recognition and measurement in the Consolidated Statement of Financial Position and Statement of Comprehensive Income, as well as the disclosure of contingent assets and liabilities. Future events may lead to these estimates being changed. In particular, judgements and estimates are required when:

- Assessing the need for and measurement of impairment of exploration and evaluation costs and development and production assets
- Capitalising project costs
- Assessing contingent consideration on acquisition
- Estimating decommissioning and reinstatement liabilities
- Assessing the need for impairment of inter-company balances and investments
- Determining going concern

Exploration and evaluation costs and development and production assets

Management is required to assess the exploration and evalution costs and development and production assets for indicators of impairment. Notes 14 and 15 disclose the carrying values of these 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.

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.

Inter-company balances and investments

Management is required to assess the inter-company balances and investments held by the parent company for indicators of impairment at the reporting date. As part of this assessment management considers the output from the impairment tests carried out in respect of exploration and evaluation costs and development and production assets. The derived assets values at the reporting date are considered to be an indicator of the underlying value of the relevant company. These values are compared to the carrying values of the inter-company balances or investments at the reporting date and any consideration is given to whether any provision for impairment is required.

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 has operated in two geographical markets: UK and France. Unallocated operating expenses, assets and liabilities relate to the general management, financing and administration of the Group. With effect from the 31 July 2017 the Group has ceased all significant activity in France.

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 2017 and for the year ended 31 July 2016.

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, 87% (2016: 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 2017 and 2016, gas from the Group's producing field was sold to one customer.

2017	UK £	France £	Unallocated £	Total £
Revenue	1,039,348	–	–	1,039,348
Cost of sales – exploration costs written off and pre-licence costs	(33,189)	(158,063)	–	(191,252)
Cost of sales – impairments and impairment reversals	–	–	–	–
Cost of sales – depreciation	(462,500)	–	–	(462,500)
Cost of sales – other	(922,510)	–	–	(922,510)
Total cost of sales	(1,418,199)	(158,063)	–	(1,576,262)
Gross loss	(378,851)	(158,063)	–	(536,914)
Other administrative expenses	(43,619)	(290)	(1,133,002)	(1,176,911)
Depreciation	(1,338)	–	–	(1,338)
Total administrative expenses	(44,957)	(290)	(1,133,002)	(1,178,249)
Other operating income	57,382	763	–	58,145
Loss for the year before net finance costs and taxation	(366,426)	(157,590)	(1,133,002)	(1,657,018)
Finance income	95	–	4,852	4,947
Finance costs	(46,775)	–	–	(46,775)
Loss before taxation	(413,106)	(157,590)	(1,128,150)	(1,698,846)
Taxation	–	–	–	–
Loss for the year	(413,106)	(157,590)	(1,128,150)	(1,698,846)
Other segment information				
Non-current assets	28,494,615	–	–	28,494,615
Current assets	2,367,363	4,392	5,241,679	7,613,434
Current liabilities	(1,030,905)	(40,537)	(144,724)	(1,216,166)
Non-current liabilities	(2,069,669)	(96,862)	(20,525)	(2,187,056)
Net assets/(liabilities)	27,761,404	(133,007)	5,076,430	32,704,827
Capital expenditure				
Intangible exploration and evaluation assets	1,024,286	–	–	1,024,286
Property, plant and equipment – oil and gas assets	1,055,017	–	–	1,055,017
Total	2,079,303	–	–	2,079,303

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.

Notes Forming Part of the Financial Statements *continued*

For the year ended 31 July 2017

3. Segmental information continued

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
Total	2,402,054	17,835	–	2,419,889

4. Loss before taxation

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

	2017 £	2016 £
Auditor's remuneration (see Note 5)	**56,519**	59,210
Depreciation	**463,838**	1,275,685
Impairment charge	**–**	825,000
Impairment reversal	**–**	(182,000)
Exploration and appraisal costs written off	**157,221**	47,172
Pre-licence costs expensed	**34,031**	27,351
Foreign exchange loss/(gain)	**16,208**	(27,546)
Share-based payment charge	**–**	65,971
Operating lease rentals		
– land and buildings (in administrative expenses)	**25,000**	25,000
– leases on operational sites (in cost of sales)	**60,800**	51,986

5. Auditor's remuneration

	2017 £	2016 £
Audit services:		
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	**12,800**	12,600
Other services:		
The auditing of financial statements of subsidiaries of the Company	**39,550**	41,580
All other services	**4,169**	5,030
Total audit and other services	**56,519**	59,210

6. Employee information

	2017 Number	2016 Number
The average number of persons employed by the Group and Company in the year, including Executive and Non-executive Directors, was:		
Management and administration	**12**	12

	2017 £	2016 £
Employee costs for the Group and Company during the year amounted to:		
Wages and salaries	**879,826**	864,201
Social security costs	**107,542**	108,945
Share-based remuneration charges	**–**	65,971
Pension costs	**94,524**	101,422
	1,081,892	1,140,539

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	2017 £	2016 £
Directors' emoluments	**413,600**	393,600
Medical cover	**2,105**	7,205
Employer's national insurance contributions	**48,261**	45,530
Short-term employment benefits	**463,966**	446,335
Post-employment benefits	**72,055**	78,822
Share-based remuneration charge attributable to Directors	**–**	25,981
	536,021	551,138

The emoluments and compensation of individual Directors were as follows:

	Salary and fees £	Bonus £	Medical £	Pension (note 9) £	Total 2017 £	Total 2016 £
M Abbott	**160,000**	**–**	**2,105**	**42,140**	**204,245**	205,145
P Stephens	**45,000**	**–**	**–**	**–**	**45,000**	45,000
K Ratcliff	**30,000**	**–**	**–**	**–**	**30,000**	30,000
W Roberts	**9,600**	**–**	**–**	**23,215**	**32,815**	33,754
J Field	**134,000**	**–**	**–**	**6,700**	**140,700**	130,728
A Lodge	**20,000**	**–**	**–**	**–**	**20,000**	20,000
N O'Brien	**–**	**–**	**–**	**–**	**–**	6,250
P Jenkinson	**15,000**	**–**	**–**	**–**	**15,000**	8,750
	413,600	**–**	**2,105**	**72,055**	**487,760**	479,627

7. Remuneration of Directors and key management continued

The emoluments of the highest paid Director excluding pension contributions were £162,105 (2016: £163,005). Pension contributions include contributions made under a salary sacrifice arrangement totalling £34,140 (2016: £34,140).

Life policy and critical illness premiums of £5,378 (2016: £5,713) were paid in respect of the Managing Director and Directors' indemnity insurance premiums of £9,774 (2016: £11,599) were paid in respect of all Directors.

Fees of £15,000 (2016: £15,000) are payable to Alkane Energy plc in respect of director's services provided by Paul Jenkinson. Of these fees, £1,250 (2016: £11,250) had not been invoiced at the year end and is included in accruals.

Directors' share options outstanding at 31 July 2017 and at 31 July 2016

	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
Granted on 27 March 2017	300,000	27/03/2017	28/02/2027	10.00p	27/03/2017

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.

	16/11/2015	27/03/2017
Grant date share price (pence)	9.70	**10.00**
Exercise price (pence)	9.70	**10.00**
Expected volatility (%)	5.64	**5.19**
Option life (years)	10	**10**
Risk free interest rate (%)	0.46	**0.2**

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	**2017 No.**	**2017 WAEP (pence)**	**2016 No.**	**2016 WAEP (pence)**
Opening balance	**11,021,603**	**13.59**	6,887,584	15.92
Granted during the year	**300,000**	**10.00**	4,134,019	9.70
Forfeited during the year	**–**	**–**	–	–
Exercised during the year	**(177,457)**	**10.38**	–	–
Outstanding at 31 July 2017	**11,144,146**	**13.54**	11,021,603	13.59

The weighted average remaining contractual life of share options outstanding as at 31 July 2017 is 6.45 years (2016: 7.36 years). At 31 July 2017 11,144,146 (2016: 11,021,603) of the total number of share options outstanding could be exercised and these options had a weighted average exercise price of 13.54 pence (2016: 13.59 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 £37,168 (2016: £28,980) represents the sum payable to the scheme by the Group at rates agreed in respect of participating employees.

10. Finance income

	2017 £	**2016 £**
Interest receivable on short-term deposits	**4,947**	8,314

11. Finance costs

	2017 £	**2016 £**
Unwinding of decommissioning discount	**46,775**	41,845
Other finance charges	**–**	–
	46,775	41,845

12. Income tax

The major components of income tax expense for the years ended 31 July 2017 and 2016 are:

	2017 £	2016 £
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 2017 and 2016 is as follows:		
Accounting loss before tax from continuing operations	**(1,698,846)**	(2,685,571)
Loss on ordinary activities multiplied by the standard rate of tax of 19.75% (2016: 20%)	**(335,258)**	(537,114)
(Credits)/expenses not permitted for tax purposes	**(830)**	30,291
Movement in unrecognised deferred tax assets	**336,088**	506,823
Income tax expense recognised in the current year relating to continuing operations	–	–

c) Factors that may affect the future tax charge

The Group expects to be able to access trading losses of £40,576,143 (2016: £42,154,178) 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 outside ring-fenced activities.

d) Deferred taxation

The Group has an unrecognised deferred taxation asset of £7,438,621 (2016: £5,978,715) at the year end, calculated at a rate of 28.6% (2016: 20%) which is an estimate of the rate anticipated to be applicable at the time the net tax losses are expected to be utilised. The deferred tax rate for 2017 is based on the rate applicable to ring-fenced activities and for 2016 was based on the standard rate. This is represented by accumulated tax losses of £40,576,143 (2016: £42,154,178) offset by accelerated capital allowances of £14,543,298 (2016: £12,260,604).

13. Loss per share

Basic loss per share

	2017 £	2016 £
Loss for the financial year	**(1,698,846)**	(2,685,571)
Basic weighted average Ordinary shares in issue during the year	**248,740,775**	221,345,811

	Pence	Pence
Basic loss per share	**(0.68)**	(1.21)

Diluted loss per share

	2017 £	2016 £
Loss for the financial year	**(1,698,846)**	(2,685,571)
Diluted weighted average Ordinary shares in issue during the year	**248,740,775**	221,345,811

	Pence	Pence
Diluted loss per share	**(0.68)**	(1.21)

The share options are not dilutive in 2017 or 2016 as a loss was incurred.

14. Intangible fixed assets

Group	Exploration and evaluation costs £	Other intangibles £	Total £
Cost			
At 1 August 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)
Exploration written off	(58,998)	–	(58,998)
At 31 July 2016	18,244,016	126,359	18,370,375
Additions	**1,024,286**	**–**	**1,024,286**
Exploration written off	**(163,860)**	**–**	**(163,860)**
At 31 July 2017	**19,104,442**	**126,359**	**19,230,801**
Net book value			
At 31 July 2017	**19,104,442**	**126,359**	**19,230,801**
At 31 July 2016	18,244,016	126,359	18,370,375
At 31 July 2015	17,737,910	126,359	17,864,269

The Group's unevaluated oil and gas interests at 31 July 2017 are its equity interests in licences in the UK held through its wholly owned subsidiaries and through its indirect subsidiaries as disclosed in Note 16. 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 2017

15. Property, plant and equipment

Group	Development and production assets £	Equipment, fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 August 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
Additions	**1,055,017**	**–**	**–**	**1,055,017**
Disposals	**(10,257)**	**–**	**–**	**(10,257)**
At 31 July 2017	**20,086,032**	**25,774**	**103,911**	**20,215,717**
Depreciation				
At 1 August 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
Charge for the year	**462,500**	**–**	**1,338**	**463,838**
At 31 July 2017	**10,822,218**	**25,774**	**103,911**	**10,951,903**
Net book value				
At 31 July 2017	**9,263,814**	**–**	**–**	**9,263,814**
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

In the prior year, the depreciation charged included 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 earlier periods.

There were no such charges in the current year.

Impairment reviews have been performed using recoverable amounts based on the 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 39p - 44p (2016: 34p - 43p), oil prices per barrel of US$54 - US$70 (2016: US$43 - US$70) and a discount rate of 10% (2016: 8%). The prior year impairment charges arose as a consequence of production issues and weak forward oil prices that have impacted on revenue expectations in the short term. In the case of the Ceres field, the impairment reversal arose as a consequence of sustained production which has resulted in a re-evaluation of the remaining recoverable reserves.

Company	Computer equipment £
Cost	
At 1 August 2015	27,168
Additions	–
At 31 July 2016	27,168
Additions	–
At 31 July 2017	**27,168**
Depreciation	
At 1 August 2015	23,942
Charge for the year	1,888
At 31 July 2016	25,830
Charge for the year	**1,338**
At 31 July 2017	**27,168**
Net book value	
At 31 July 2017	**–**
At 31 July 2016	1,338
At 31 July 2015	3,226

16. Investments in subsidiaries

	Shares in subsidiary undertakings £	Loans to subsidiary undertakings £	Total £
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
Additions in year	–	–	–
Balance at 31 July 2017	**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.

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.

17. Trade and other receivables

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Amounts falling due within 1 year				
Trade receivables	**270,549**	1,034,434	**–**	–
Amounts owed by subsidiaries	**–**	–	**18,716,048**	17,299,906
VAT recoverable	**36,696**	67,717	**10,244**	9,071
Other receivables	**263,422**	263,319	**–**	–
Prepayments and accrued income	**935,943**	1,175,517	**56,118**	67,573
	1,506,610	2,540,987	**18,782,410**	17,376,550

Included in Prepayments and accrued income is accrued revenue of £688,128 (2016: £421,301) which is not expected to be received within the next 12 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 2017 no trade receivables were considered to be impaired (2016: £nil).

As at 31 July 2017 trade receivables of £220,441 (2016: £794,936) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2017	2016
Up to three months past due	**19,669**	342,139
Three to six months past due	**59,860**	311,904
Over six months past due	**140,912**	140,893
	220,441	794,936

Other receivables do not contain impaired assets.

18. Available for sale financial assets

	Group 2017 £	Group 2016 £
At 1 August 2016	**50,000**	50,000
Additions	**–**	–
At 31 July 2017	**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.

19. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Short-term bank deposits	**5,352,955**	2,287,938	**5,023,166**	2,018,314
Restricted cash at bank	**206,412**	206,316	**–**	–
Cash at bank	**497,457**	184,526	**152,255**	1,883
	6,056,824	2,678,780	**5,175,421**	2,020,197

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.

20. Trade and other payables

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade payables	**447,621**	839,827	**66,686**	37,615
Other payables	**4,702**	2,009	**100**	–
Accruals and deferred income	**763,843**	243,169	**77,936**	82,984
	1,216,166	1,085,005	**144,722**	120,599

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

21. 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 capital comprises Ordinary and Deferred shares, which 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 the Group has facilities to deposit cash holdings with more than one institution. At year end the Group had cash and cash equivalents of £6,056,824 (2016: £2,678,780) and the Company £5,175,421 (2016: £2,020,197). The balances at 31 July 2017 are held with one bank (2016: two). Trade receivables comprise amounts due from trading entities and total £270,549 (2016: £1,034,434) for the Group and £nil (2016: £nil) for the Company (Note 17). 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 £6,640,795 (2016: £4,026,533); Company £28,926,293 (2016: £24,354,927).

21. Financial assets and liabilities continued

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 20, held at amortised cost, which total £1,216,166 (2016: £1,085,005). Of this balance, £1,056,166 (2016: £925,005) is due within one to two months. Additionally, the Group has a liability under a Net Profit Interest agreement where £2,567 (2016: £3,117) 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 short-term bank deposits (money market), most of which are sterling denominated, further detailed below:

	2017 £	2016 £
Short-term bank deposits	**5,352,955**	2,287,938
Restricted cash at bank	**206,412**	206,316
Cash at bank	**497,457**	184,526

Short-term bank deposits 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 £53,530 (2016: £22,879).

The Group had no interest-bearing liabilities in 2017 or 2016.

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 2017 was £245,373 (2016: £26,639); Company £nil (2016: £nil). There were no financial liabilities denominated in foreign currencies at 31 July 2017 or 31 July 2016.

A 10% change in the sterling exchange rate would result in an increase or decrease of £24,537 (2016: £2,664) 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 2017 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 (2016: 40p) 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 £83,413 (2016: £102,756).

22. Provision for liabilities

Group	Other provisions £	Decommissioning provision £	Reinstatement provision £	Total £
As at 1 August 2015	20,525	1,585,763	221,000	1,827,288
Provision created during the year	–	11,545	14,140	25,685
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
Provision created during the year	**–**	**331,791**	**5,166**	**336,957**
Unwinding of discount	**–**	**46,775**	**–**	**46,775**
At 31 July 2017	**20,525**	**1,973,225**	**193,306**	**2,187,056**

Company	Other provisions £	Decommissioning provision £	Reinstatement provision £	Total £
At 1 August 2015	20,525	–	–	20,525
Paid during the year	–	–	–	–
At 31 July 2016	20,525	–	–	20,525
Paid during the year	–	–	–	–
At 31 July 2017	**20,525**	**–**	**–**	**20,525**

At 31 July 2017 provision has been made for decommissioning costs on the productive fields at Fiskerton, 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 2018 and 2038.

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, £2,567 (2016: £3,117) is estimated to be payable within one year.

Notes Forming Part of the Financial Statements *continued*

For the year ended 31 July 2017

23. Share capital and redeemable preference shares

	1p Ordinary Shares Allotted, called up and fully paid		1p Deferred Shares Allotted, called up and fully paid		Total
	Number	£	Number	£	£
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
Shares issued in year	38,639,011	386,390	–	–	386,390
At 31 July 2017	**259,984,822**	**2,599,848**	**1,195,087,887**	**11,950,879**	**14,550,727**

	Allotted, called up and partly paid	
Redeemable preference shares of £1 each (classed as liabilities)	**Number**	**£**
At 31 July 2016	50,000	12,500
At 31 July 2017	**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 payment of £10,000,000 on each such share.

On 22 August 2016, staff exercised 77,457 share options, under the Company's existing Enterprise Management Incentive Scheme. The nominal value of the shares was £775 and the fair value of the shares issued was £8,040, creating additional share premium of £7,265.

On 1 November 2016, following a placing and open offer, the Company issued 22,222,222 New Ordinary 1p shares for total cash consideration of £3 million. The nominal value of the shares was £222,222 and the additional share premium created totalled £2,777,778.

On 7 November 2016, staff exercised 100,000 share options, under the Company's existing Enterprise Management Incentive Scheme. The nominal value of the shares was £1,000 and the fair value of the shares issued was £10,380, creating additional share premium of £9,380.

On 29 November 2016, following a placing and open offer, the Company issued 15,234,093 New Ordinary 1p shares for total cash consideration of £2,056,603. The nominal value of the shares was £152,341 and the additional share premium created totalled £1,904,262.

On 30 January 2017, as consideration for the acquisition of an interest in PEDL201, the Company issued shares with a fair value of £50,000 This equated to 424,593 New Ordinary 1p shares at a premium of 10.78p. The nominal value of the shares was £4,246 and the additional share premium created totalled £45,754.

On 4 April 2017, as consideration for the acquisition of an interest in PEDL209, the Company issued shares with a fair value of £54,000. This equated to 580,646 New Ordinary 1p shares at a premium of 8.3p. The nominal value of the shares issued was £5,806 and the additional share premium created totalled £48,194.

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.

24. Share premium reserve

Shares were issued during the year as detailed in note 23.

Share costs associated with the share transactions above of £210,055 have been offset against the premium generated on issue.

The above share issues when added to the opening reserve (as at 1 August 2015) of £20,619,616 resulted in a closing share premium reserve carried forward of £25,202,194 (2016: £20,619,616).

25. 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 book value of Egdon Resources U.K. Limited's net assets on the date of the de-merger and the nominal value of the shares so issued.

The reserve is not distributable.

26. Movements in cash and cash equivalents

Group	As at 31 July 2016 £	Cash flow £	As at 31 July 2017 £
Cash at bank and in hand	184,526	312,931	**497,457**
Term deposits	2,287,938	3,065,017	**5,352,955**
Restricted cash at bank	206,316	96	**206,412**
Cash and cash equivalents as per Statement of Financial Position	2,678,780	3,378,044	**6,056,824**

Company	As at 31 July 2016 £	Cash flow £	As at 31 July 2017 £
Cash at bank and in hand	1,883	150,372	**152,255**
Term deposits	2,018,314	3,004,852	**5,023,166**
Cash and cash equivalents as per Statement of Financial Position	2,020,197	3,155,224	**5,175,421**

27. Obligations under leases

At 31 July 2017 the Group had future minimum commitments under non-cancellable operating leases as follows:

	2017 £	2016 £
Within one year		
– Leases on operational and exploration and evaluation sites	**96,599**	84,079
Within one to five years		
– Land and buildings – 2018	**25,000**	25,000
– Land and buildings – 2019 - 2020	**48,000**	73,000
	169,599	182,079

Included within leases on operational and exploration and evaluation sites is £25,344 (2016: £25,305) which is expected to be capitalised.

28. Capital commitments – tangible and intangible assets

Capital commitments of £136,148 (2016: £404,536) 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 2017.

29. 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 2017 Pinnacle Energy Limited invoiced the Group £19,105 (2016: £42,984) for legal and consultancy services provided at commercial rates and agreed by the Directors of the Company. At the year end £5,382 was owing to Pinnacle Energy Limited (2016: £18,641).

Alkane Energy plc is a shareholder in Egdon Resources plc. Paul Jenkinson was appointed to the Board 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, £11,250 (2016: £nil) in respect of recharged licence fees. At the year end £nil (2016: £nil) was due to Egdon Resources U.K. Limited. Alkane Energy plc group companies have invoiced Egdon Resources U.K. Limited £79,968 (2016: £58,750) in respect of recharged licence fees. There were no amounts outstanding at the year end (2016: £nil).

Additionally, fees accrued to Alkane Energy plc for Director's services as disclosed in Note 7. At the year end £1,250 (2016: £11,250) 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:

	2017 £	2016 £
Time costs	**191,439**	264,574
Overhead recharged in accordance with Joint Operating Agreement	**33,089**	69,685
	224,528	334,259

The balances due from companies with interests in jointly controlled operations in respect of these transactions as at 31 July 2017 and 31 July 2016 are set out below:

	2017 £	2016 £
Due from companies with interests in jointly controlled operations	**24,637**	180,341

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:

	2017 £	2016 £
Invoiced to subsidiary companies	**1,173,222**	1,297,751

As at 31 July 2017 the balance due to Egdon Resources plc from its subsidiary undertakings was £23,750,872 (2016: £22,334,730) as shown in Notes 16 and 17.

30. 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:	Registered Office:
Philip Stephens (Non-Executive Chairman)	The Wheat House
Mark Abbott (Managing Director)	98 High Street
Jeremy Field (Executive Director)	Odiham
Paul Jenkinson (Non-Executive Director)	Hampshire
Andrew Lodge (Non-Executive Director)	RG29 1LP
Kenneth Ratcliff (Non-Executive Director)	
Walter Roberts (Non-Executive Director)	30 October 2017

1. Introduction

Notice of the Company's forthcoming Annual General Meeting to be held on Thursday 7 December 2017 ("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 2017 (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)

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. Jerry Field and I are the Directors retiring by rotation this year and both of us are offering ourselves for re-election. Brief biographical details of all of the Directors appear on pages 18 and 19 of the Financial statements.

Authority of Directors to allot shares (Resolution 5)

The authority given to the Directors to allot further shares in the capital of the Company requires the prior authorisation of the shareholders in general meeting under section 551 Companies Act 2006 ("CA 2006"). Upon the passing of Resolution 5, pursuant to paragraph (A) of the Resolution, the Directors will have authority to allot shares up to a maximum of £866,616.07 (which represents approximately one-third of the current issued share capital as at 30 October 2017, 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 £866,616.07 (which represents approximately a further third of the current issued share capital as at 30 October 2017, 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 5 is passed, the Directors could allot shares representing up to two-thirds of the current issued share capital pursuant to a rights issue.

Letter from the Chairman with Notice of Annual General Meeting *continued*

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 2019.

Disapplication of pre-emption rights (Resolution 6)

If the Directors wish to exercise the authority under Resolution 5 and offer unissued shares (or sell any shares which the Company may purchase and elect to hold as treasury shares) for cash, the Companies Act 2006 requires that unless shareholders have given specific authority for the waiver of the statutory pre-emption rights, the new shares be offered first to existing shareholders in proportion to their existing shareholdings. In certain circumstances, it may be in the best interests of the Company to allot new shares (or to grant rights over shares) for cash without first offering them to existing shareholders in proportions to their holdings.

Resolution 6 would authorise the Directors to do this by allowing the Directors to allot shares for cash (i) by way of a rights issue (subject to certain exclusions), (ii) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportions to their shareholdings (subject to certain exclusions) and (iii) to persons other than existing shareholders up to an aggregate nominal value of £389,977.23 (which represents approximately 15% of current issued share capital as at 30 October 2017, being the latest practicable date before the publication of this Letter). If given, to the extent not already expired, the authorities conferred by Resolution 6 will expire on the conclusion of the next Annual General Meeting or, if earlier, on 31 January 2019.

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 we recommended last year, although as you will know the resolution last year was narrowly lost as the result of one major shareholder voting against it. This will 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 9,552,399 ordinary shares (representing 3.67% 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 7 December 2017. Completion of a proxy form will not prevent you from attending the AGM in person if you so wish.

Yours sincerely,

Philip Stephens
Chairman

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 7 December 2017 at 11.30 a.m. for the purpose of passing the following resolutions, of which Resolutions 1 to 5 will be proposed as Ordinary Resolutions and Resolution 6 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 2017, 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 Philip Stephens as Director who retires pursuant to article 92 of the Company's articles of association and who, being eligible, offers himself for re-election.

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

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

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

(a) up to an aggregate nominal amount of £866,616.07; and

(b) comprising equity securities (within the meaning of section 560 of the Act) up to a further aggregate nominal amount of £866,616.07 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 2019, 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.

Letter from the Chairman with Notice of Annual General Meeting *continued*

Special Resolution:

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

THAT, subject to the passing of Resolution 5 above the Directors be and they are hereby empowered pursuant to section 570 CA 2006 to allot equity securities (within the meaning of section 560 CA 2006) for cash pursuant to the authority conferred by Resolution 5, as if section 561 CA 2006 did not apply to any such allotment, provided that this power shall be limited:

(a) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authorities granted under paragraph (b) of Resolution 5, by way of a 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 6) of equity securities up to an aggregate nominal amount of £389,977.23

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 2019, 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 30 October 2017
By Order of the Board

Walter Roberts
Secretary

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 5 December 2017 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 5 December 2017 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.

Letter from the Chairman with Notice of Annual General Meeting *continued*

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	Technical 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 30 October 2017

Licences		Operator	Egdon Interest	Area km²
UK				
1	EXL253	Egdon Resources U.K. Limited (Deep Rights)	100.000%	3.00
2	EXL294	Egdon Resources U.K. Limited	100.000%	2.70
3	PL090 (Waddock Cross)	Egdon Resources U.K. Limited	55.000%	19.00
	PL090	Egdon Resources U.K. Limited	42.500%	183.00
4	PL161-2	Egdon Resources U.K. Limited (Deep Rights)	100.000%	18.00
5	PL161-1	Scottish Power Generation Limited	50.000%	38.00
6	PL162-1	Scottish Power Generation Limited	50.000%	114.00
7	PEDL001	Egdon Resources U.K. Limited (Deep Rights)	100.000%	11.00
8	PEDL005 (Remainder)	Egdon Resources U.K. Limited	65.000%*	23.50
9	PEDL011	Egdon Resources U.K. Limited (Deep Rights)	100.000%	6.00
10	PEDL037	Egdon Resources U.K. Limited (Deep Rights)	100.000%	10.00
11	PEDL039	Egdon Resources U.K. Limited (Deep Rights)	100.000%	3.00
12	PEDL043	Egdon Resources U.K. Limited (Deep Rights)	100.000%	57.00
13	PEDL068	Egdon Resources U.K. Limited	68.000%	83.20
14	PEDL070	Island Gas Limited (Star Energy Group)	26.670%	18.28
15	PEDL118	Egdon Resources U.K. Limited	55.560%	10.60
16	PEDL130	Egdon Resources U.K. Limited	100.000%	45.00
17	PEDL139	Island Gas Limited (Star Energy Group)	14.500%	100.00
18	PEDL140	Island Gas Limited (Star Energy Group)	14.500%	141.60
19	PEDL141	Seven Star Natural Gas Limited (Alkane Energy plc)	46.000%	100.00
20	PEDL143	Europa Oil and Gas Limited	18.400%	92.00
21	PEDL169	Egdon Resources U.K. Limited (Deep Rights)	20.000%	62.00
22	PEDL180	Egdon Resources U.K. Limited	25.000%	40.00
23	PEDL181	Europa Oil and Gas Limited	25.000%	160.00
24	PEDL182	Egdon Resources U.K. Limited	25.000%	19.00
25	PEDL191	Egdon Resources U.K. Limited (Deep Rights)	100.000%	66.00
26	PEDL201	Egdon Resources U.K. Limited	45.000%	80.00
27	PEDL202	Egdon Resources U.K. Limited (Deep Rights)	100.000%	84.00
28	PEDL203	Egdon Resources U.K. Limited	55.560%	10.50
29	PEDL209	Egdon Resources U.K. Limited	72.000%	64.00
30	PEDL241	Egdon Resources U.K. Limited	80.000%	55.00
31	PEDL253	Egdon Resources U.K. Limited	52.800%	95.00
32	PEDL258	Egdon Resources U.K. Limited	100.000%	0.50
33	PEDL259	Third Energy UK Gas Limited	49.990%	139.00
34	PEDL273	Island Gas Limited	15.000%	196.00
35	PEDL278	Island Gas Limited	50.000%	38.00
36	PEDL305	Island Gas Limited	15.000%	143.00
37	PEDL306	Egdon Resources U.K. Limited	30.000%	191.00
38	PEDL316	Island Gas Limited	15.000%	111.00
39	PEDL334	Egdon Resources U.K. Limited	60.000%	164.00
40	PEDL339	Egdon Resources U.K. Limited	65.000%	87.00
41	PEDL343	Third Energy UK Gas Limited	17.500%	110.00
42	P.1241	Centrica North Sea Limited	10.000%	43.00
43	P.1929	Egdon Resources U.K. Limited	100.000%	360.00

* 45% in Keddington oil field area

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