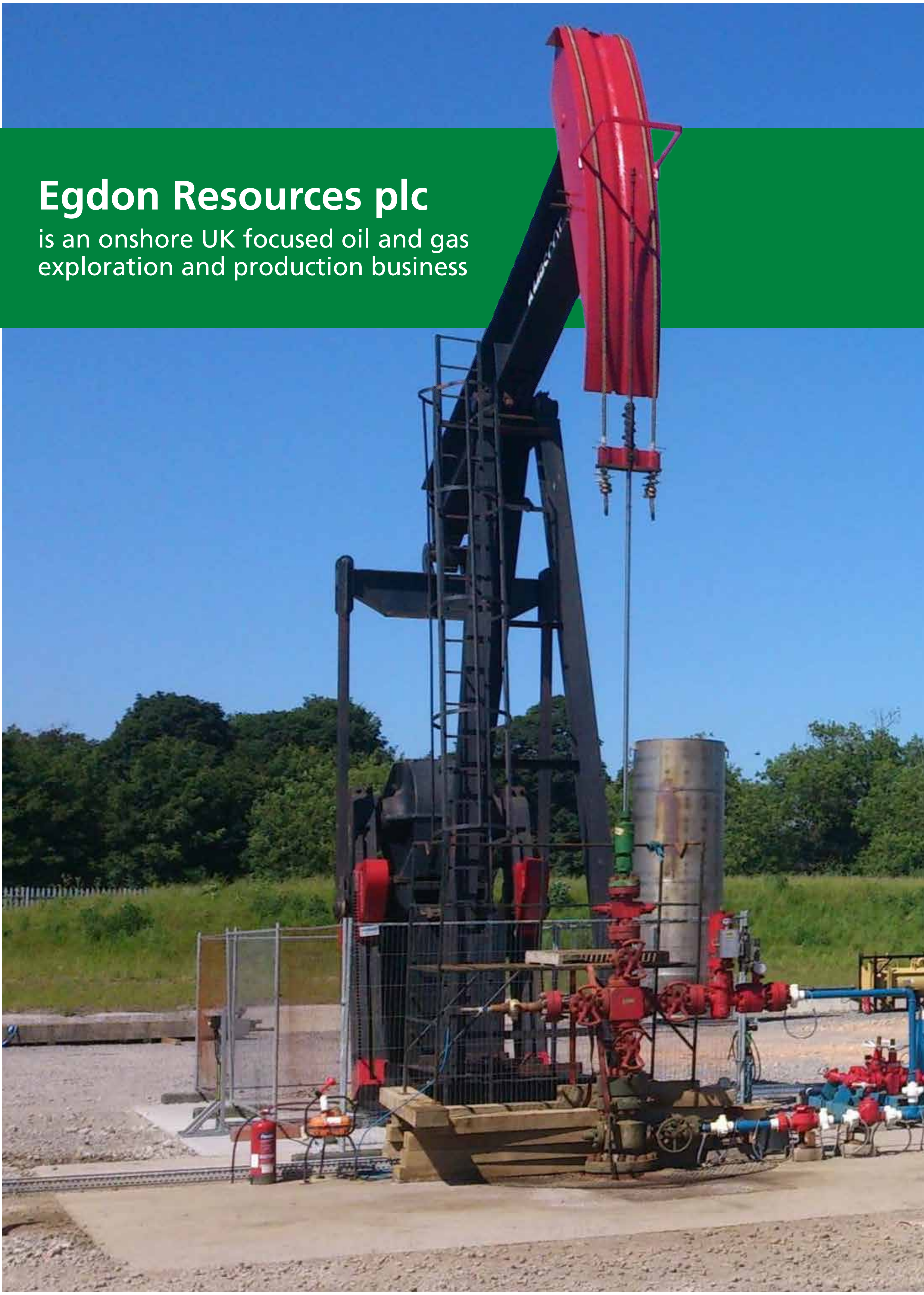
EGDON RESOURCES PLC

Annual Report and Financial Statements
for the year ended 31 July 2018

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 44 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

Visit us online
www.egdon-resources.com

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Overview

Operational and Corporate Highlights

- Completion of site construction at Springs Road (PEDL140) where the operator, IGas, has advised it expects to commence drilling following completion of Tinker Lane-1 in H1 2019
- Acquisition of an additional 5% interest in PEDL180 and PEDL182 (Wressle) from Celtique Energie Petroleum Limited for a deferred cash payment
- Acquisition of 100% interest in Promote Licence P2304 from Arenite Petroleum Limited and Europa Oil & Gas Limited
- Completion of the acquisition of the producing Fiskerton Airfield oil field in Lincolnshire licence EXL294 and subsequent sale of 20% interest to Union Jack Oil plc to balance financial risk
- Gross production of 30,923 barrels of oil equivalent ("boe") (84 barrels of oil equivalent per day ("boepd")) (2017: 38,346 boe; 105 boepd) from Ceres, Keddington, Fiskerton Airfield and, for part of the period, Avington
- Farm-out of interests in PEDL253 (Biscathorpe) to Union Jack Oil plc and Humber Oil & Gas Limited
- Extension of existing consents for a further three years at both North Kelsey and Biscathorpe
- Submission of a new planning application for the Wressle field development to address in detail all matters highlighted by the Planning Inspector in his January 2018 dismissal of the appeals heard in November 2017

Financial Highlights

- Gross oil and gas revenues during the period of £1.00 million (2017: £1.04 million) offset by a write-off of £0.22 million (2017: £Nil) in respect of Ceres accrued back-out revenue
- Loss for the year ended 31 July 2018 of £1.98 million after write-downs, pre-licence costs and impairment reversals of £0.40 million (2017: loss of £1.70 million after write -downs, pre-licence costs and impairments of £0.19 million)
- Basic loss per share of 0.76p (2017: basic loss per share of 0.68p)
- Cash at bank £2.77 million as at 31 July 2018 (2017: £6.06 million)
- Net current assets as at 31 July 2018 of £2.87 million (2017: £6.40 million)
- Net assets as at 31 July 2018 of £30.72 million (2017: £32.70 million)

Subsequent Events

- Appeal submitted during September against the refusal by North Lincolnshire Council to extend the existing planning consent at the Wressle-1 wellsite
- Holmwood site lease not renewed by the Forestry Commission and planning application withdrawn
- Completion of the installation of a new flowmeter and restoration of production from the Ceres well
- Restart of works to complete the site construction at Biscathorpe-2 with drilling expected to commence late in 2018
- Consent for fracking at Preston New Road awarded to Cuadrilla, fracking operations commenced during October

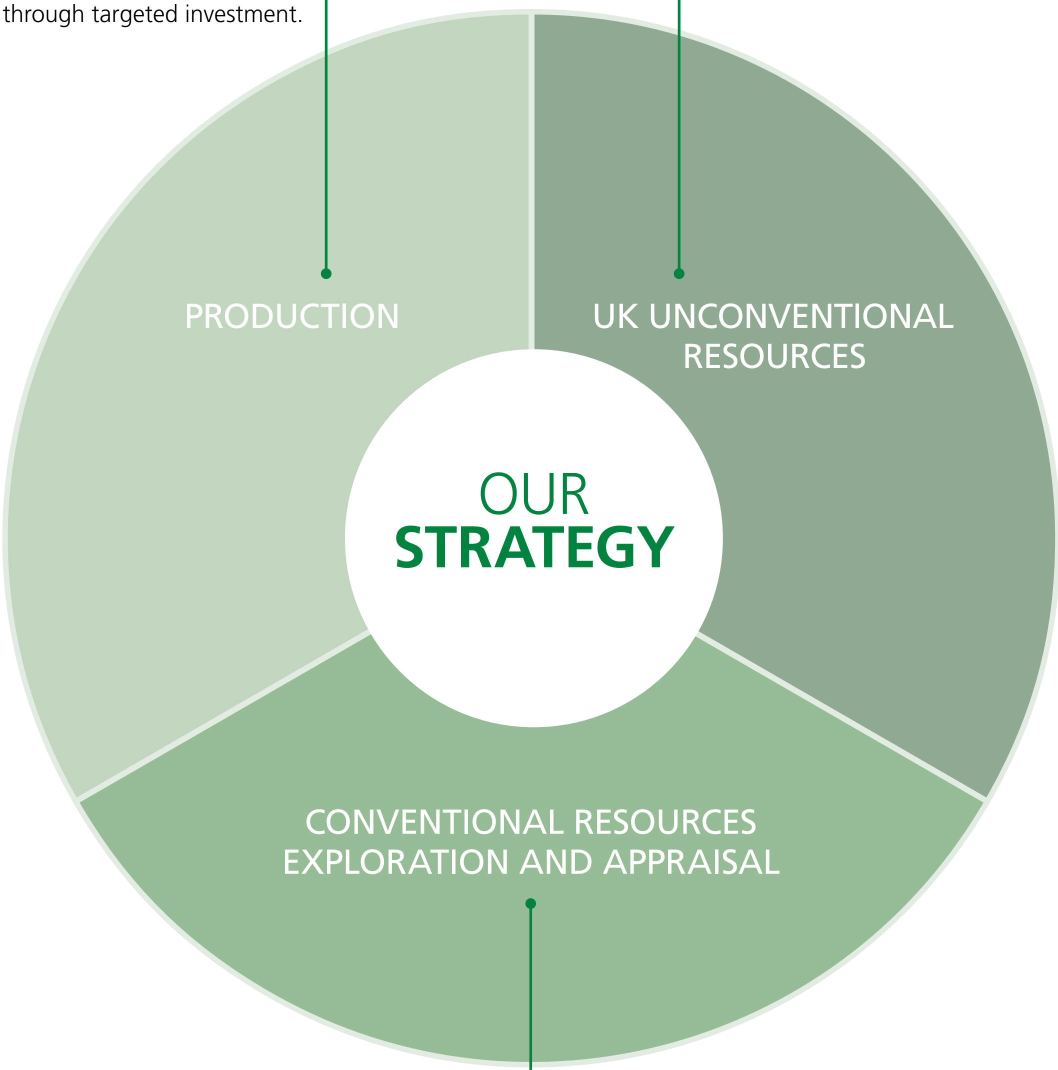
Mark Abbott
Managing Director

Our Strategy

In 2014, the Directors identified three key 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.

Having successfully pursued this strategy in the 2014 – 2018 period, the Directors have committed to reviewing this strategy in the coming period in the light of developing economic and political trends in so far as they affect the Company.

Chairman's Statement

I can report that we have progressed many of our strategic objectives through this reporting period in which we have seen an improving commodity price environment but continuing challenges in the planning arena.

Having successfully pursued our stated strategy over the period from 2014 to 2018, in the last year we have consolidated rather than grown our unconventional resources acreage position, and continued to pursue Wressle and other planning. We have carefully managed our cash whilst commodity prices recover and ahead of key exploration wells.

Highlights have included:

Springs Road-1
The Springs Road wellsite is now complete and we expect the well, which could be a "play opener" in the Gainsborough Trough, to be drilled by the operator, IGas, during the coming period after completion of the Tinker Lane-1 well.

Wressle
We remain committed to gaining planning consent to develop the Wressle oil discovery and have acquired a further 5% interest in this asset during the period emphasising our confidence in the asset. We await the council's determination of our revised planning application, submitted in July 2018, following the January 2018 rejection of our earlier planning appeals, and remain ready to take this through another appeal process if required.

Resolution Area
We have completed the acquisition of the Endeavour gas discovery as a potential add-on to Resolution.

Biscathorpe
We have successfully farmed-out PEDL253 to allow us to proceed with the drilling of the very prospective Biscathorpe-2 exploration/appraisal well having also extended the existing planning permission.

Fiskerton Airfield
Having completed the acquisition of the field we have increased production rates at Fiskerton Airfield through workover operations.

Petrichor increased Egdon shareholding
In July 2018 Petrichor Holdings Coöperatief U.A. ("Petrichor"), an existing supportive shareholder, increased its interest in Egdon to 29.99% via the acquisition of much of the Alkane Energy plc shareholding.

Financial and Statutory Information

Gross revenue from oil and gas production during the year was slightly lower at £1.00 million (2017: £1.04 million) on production of 30,923 barrels of oil equivalent ("boe") (2017: 38,346 boe), offset by a write-off of £0.22 million (2017: £Nil) in respect of the Ceres back-out accrual.

The Group recorded a loss of £1.98 million for the year ended 31 July 2018, after write-downs, pre-licence costs and impairment reversals of £0.40 million (2017: loss of £1.70 million after write-downs, pre-licence costs and impairments of £0.19 million).

The Group has maintained a focus on managing cash resources and at year end had net current assets of £2.87 million (2017: £6.40 million) of which £2.77 million was cash (2017: £6.06 million).

The Group remains debt free.

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

UK Unconventional Resources

Having successfully increased the Company's unconventional resources acreage position in Northern England almost threefold in the 2014 - 2017 period, we have paused from further acquisitions and have concentrated on high-grading these assets and improving their marketability and technical understanding as we await the drilling in our core Gainsborough Trough position at Springs Road-1 and further drilling and testing by other operators elsewhere in the region.

Preparations continue for drilling the potentially play opening exploration well **Springs Road-1** in the Gainsborough Trough (PEDL140, Egdon 14.5% carried). The operator, IGas, recently confirmed that the well will be drilled after completion of their Tinker Lane-1 well where they now expect to commence drilling operations in Q4 2018. Springs Road-1 is a key well for Egdon as it is located in our core area for unconventional resources and positive results would help de-risk Egdon's portfolio.

We note with interest that Cuadrilla Resources has completed the drilling of two horizontal wells at Preston New Road and in late September 2018 received the final government approval for hydraulic fracturing and testing operations which commenced during October 2018. We eagerly await the results of these operations, expected in early 2019, which could highlight the potential of Egdon's unconventional resources assets.

Conventional Resources Exploration and Appraisal

Our existing conventional resources portfolio provides potential for growth via exploration and appraisal drilling. The strong recovery in commodity prices provides improved potential returns from what are already commercially attractive projects given the lower capital and operating costs associated with onshore UK developments.

As ever, the pace of our exploration drilling activity is in part dependent upon successful farm-outs as we look to carefully balance our financial exposure and technical risk. To this end we have successfully farmed-out PEDL253 to allow us to proceed with drilling the **Biscathorpe-2** exploration/appraisal well having also extended the existing planning permission in the period. Drilling is now expected to commence late in 2018 on conclusion of all site works. Dependent upon securing a further farm-out, we would also hope to drill the **North Kelsey Prospect** (PEDL241) in 2019 having likewise extended the existing planning permission in the period.

Chairman's Statement

continued

We have made further progress in augmenting the **Resolution** area, just offshore the North Yorkshire coast, by acquiring the **Endeavour** gas discovery as a potential add-on to the Resolution gas discovery. Subject to funding, we plan to acquire a 3D marine seismic survey during 2019 over an extended area to assist in optimising the planning for an offshore well to appraise the 1966 Resolution gas discovery. Egdon continues to review the best options to fund this work including the introduction of an industry partner and/or investors prior to commencing the survey.

Frustratingly, post period-end in September 2018, the Forestry Commission decided not to renew the lease for the **Holmwood** exploration wellsite. We will work with the operator, Europa, and the other joint venture partners to assess alternative sites and to agree a forward plan for the licence which is located immediately to the west of the Horse Hill oil discovery where the operator, Horse Hill Developments Limited, has recently successfully tested the Portland Sandstone and Kimmeridge Limestone reservoirs.

Production

Production during the period was 84 barrels of oil equivalent per day ("boepd") (2017: 105 boepd), from the Ceres gas field, Fiskerton Airfield and Keddington oil fields and, for part of the period, from the currently shut-in Avington oil fields. This is below guidance of 100 boepd owing to temporary back-out production issues at Ceres and despite increased rates at Fiskerton Airfield which was acquired in 2017.

Regulatory

There remains strong government support for our sector as evidenced by the recognition of the importance of onshore oil and gas in the Written Ministerial Statement of May 2018. Egdon welcomed the government's announcement which emphasised the national importance that shale-gas exploration and development has in delivering a safe and secure energy source, whilst meeting the country's Climate Change obligations.

The planning process remains slow and cumbersome and continues to frustrate rather than assist the rate of progress that is being sought and encouraged by central government.

Corporate

In July 2018 Petrichor Holdings Coöperatief U.A. ("Petrichor"), an existing long-term and supportive shareholder, increased its interest in Egdon to 29.99% at a premium to the prevailing share price which represents a considerable vote of confidence in Egdon's management, business model and the potential value of the Company's assets. George Yates, owner of Petrichor, is a long term investor in numerous US shale plays not least through his significant shareholding in Matador Resources, the $3.8 billion listed Permian Basin shale player, which acquired some of his assets in a cash and convertible share deal in 2015. Petrichor's acquisition of its stake allowed the owners of Alkane Energy plc to exit their holding, which was non-core to them, and removes this historic potential overhang on the share register.

Outlook

Our production guidance for the first half of the coming financial year is now c.150 - 180 boepd following the successful recommencement of primary production at Ceres earlier this month. This guidance may increase in the second half depending upon progress with a further workover at Fiskerton Airfield, the outcome of the planning application for the Wressle field development, and other potential activity at currently shut-in fields.

We expect to hear the first results from Cuadrilla's multistage hydraulic fracturing and tests early in 2019, which, if successful, should be transformational for the industry and highlight the attractiveness of Egdon's extensive unconventional resources acreage position.

Our main operational focus during the coming period will be on:

- Drilling of operated wells at Biscathorpe-2 and, subject to further farm-out, North Kelsey-1
- Drilling of the non-operated well at Springs Road-1
- Finalising the funding for and undertaking the acquisition of a marine 3D seismic survey over the Resolution and Endeavour Prospects
- Securing planning consent and developing the Wressle discovery for commercial production

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.

In closing, 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
29 October 2018

Operating Review

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

UK Unconventional Resources

The Company's unconventional resources acreage position in Northern England is 189,000 net acres (765km² net), reduced slightly (2017: 205,000 acres) following a relinquishment of the low maturity parts of PEDL202 during the period. This significant position has been achieved through a series of targeted acquisitions, farm-ins and success in recent licensing rounds. Egdon holds material interests 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 gas in place ("GIIP") of 50.9 trillion cubic feet ("TCF").

The coming period will see the long-awaited drilling in our core Gainsborough Trough area and further drilling, hydraulic fracturing and testing by other operators elsewhere in the UK. For this reason we have elected to hold off on farming-out our acreage, as results from these activities could potentially transform the terms on offer. Meanwhile we have continued our technical assessment of these assets improving our technical understanding and high grading areas with lowest risk and highest potential.

After a period characterised by planning and permitting delays, momentum appears to be building in the sector. During the last year, Cuadrilla has reported positive results at Preston New Road from two vertical wells, has completed the drilling of two horizontal wells and has commenced the hydraulic fracturing and testing operations at the site. In addition, IGas is about to commence its East Midlands drilling programme and INEOS has been successful in appealing planning decisions for its exploration programme.

Springs Road-1 in the Gainsborough Trough (PEDL140, Egdon 14.5% carried) will be a key well for Egdon. The well will drill a thick Lower Carboniferous sequence and will provide a full suite of modern data with which to evaluate the play. Site construction works at the wellsite have now been completed and the conductor casing installed, with the operator, IGas, advising that the well will be drilled following completion of operations at Tinker Lane-1, with a currently expected spud in H1 2019.

Conventional Resources Exploration and Appraisal

The Company has a significant portfolio of conventional prospects with exposure to both oil and gas. The recent strengthening of both the oil and gas price has significantly improved the commercial attractiveness of these projects.

Our strategy is to farm-out exploratory drilling to manage cash and to balance financial exposure and technical risk. The recovery in commodity prices has provided increased confidence amongst potential farminees. This was demonstrated at **Biscathorpe** (PEDL253) where, during the period, we successfully farmed-out the drilling of Biscathorpe-2 which will evaluate a 1987 BP conventional oil discovery with Mean Prospective Resources net to Egdon estimated at 5 million barrels of oil. Site construction is progressing well and drilling operations are currently expected to commence in late 2018.

At **North Kelsey** (PEDL241) we are finalising an application for the Environmental Permit and will continue to seek further farminees for North Kelsey-1 which we hope to drill during 2019. The North Kelsey prospect has a Mean Prospective Resource net to Egdon estimated at 5.2 million barrels of oil and is considered similar to the Wressle discovery in holding the potential for multiple stacked reservoirs being charged with oil.

In May 2018, Lincolnshire County Council ("LCC") Planning Committee granted extensions to the existing planning consents to drill conventional exploration wells at North Kelsey and Biscathorpe. A challenge by local activists to the legality of these planning decisions has been dismissed. Separately, the Oil and Gas Authority ("OGA") has granted extensions for both licences PEDL253 and PEDL241 to 30 June 2020.

Operating Review
continued

The Company has continued to make progress with the nearshore **Resolution** gas discovery (P1929, 41/18+19) during the period and has completed the acquisition of the adjacent licence P2304 (41/24) containing the **Endeavour** gas discovery confirmed by three wells drilled between 1969 and 1993 which tested at rates of up to 34 million cubic feet of gas per day with 1,280 barrels per day of condensate. Mapping using newly reprocessed 2D seismic data has yielded estimated Mean Contingent Resources for Endeavour of approximately 20 billion cubic feet ("bcf") of gas, sufficient to make it a suitable candidate as a satellite development to add value to Resolution where we estimate Mean Contingent Resources of 330 bcf. Egdon is working with a respected industry contractor to produce an updated reservoir model and competent persons report to assist in introducing funding for the forward work programme which is to acquire a new 3D seismic survey during early 2019 to enable optimisation of an offshore appraisal well for Resolution.

In September 2018, the Forestry Commission decided not to renew the lease for the **Holmwood** exploration wellsite at Bury Hill Wood, Coldharbour Lane, Surrey on PEDL143. Following this decision, the joint venture ("JV") has withdrawn its planning application to drill the Holmwood Prospect from the Bury Hill Wood site. Egdon's expenditures from June 2015 to date had been largely carried following farm-out to UK Oil & Gas Investments plc. PEDL143 has recently been extended until 30 September 2020, and in addition to the established Portland and Corallian sandstone reservoirs, contains the Kimmeridge Limestone which, following success at the nearby Horse Hill discovery, is an emerging play in the Weald Basin. We will work with the JV partners to agree a forward plan for the licence which will include work to identify and progress alternative sites from which to drill the Holmwood and potentially other opportunities in the licence. Egdon has included a partial write-off of the carrying value of PEDL143 to reflect the loss of the Bury Hill Wood site and subsequent delay to any drilling.

At the **Wressle** project, in early July 2018 we announced the submission of a new planning application for the development of the oil discovery to North Lincolnshire Council ("NLC"). The Company strongly believes that the new application takes full account of the key findings of the Planning Inspector's decision to dismiss the Company's appeals as set out in his decision letter of 4 January 2018, which identified three key issues in his decision: the absence of a ground conditions survey report; the absence of sufficient evidence on the adequacy of the Geosynthetic Clay Liner (GCL) covering; and uncertainty with regards to the near surface geology, specifically the presence of capping layers to the underlying aquifers.

The first issue has been addressed by the production of an independent Ground Investigation Report using information gained from geotechnical site investigation boreholes drilled in Q1 2018.

The second issue has been addressed through the proposed reconfiguration of the wellsite to install a new high-density polyethylene (HDPE) impermeable membrane above the existing GCL, with additional associated protection layers across the entire wellsite. The specification of the HDPE impermeable membrane, associated protection layers and thickness and suitability of the stone covering layer, has been tested and validated in a laboratory, and agreed between the membrane manufacturer and Egdon's consulting civil and structural engineers.

The third issue has been addressed through an updated independent Hydrogeological and Flood Risk Assessment (HRA), which includes the results of samples tested from two deeper cored boreholes drilled in Q1 2018, which conclusively demonstrates the presence of laterally continuous capping layers to the underlying aquifers.

The proposed development incorporates high levels of embedded mitigation, the effectiveness of which will be verified by continuous monitoring of the nearby water and groundwater.

Egdon also plans to set up a community liaison group and a community fund to ensure the local community are kept fully informed and share in the benefits of the Wressle development.

Whilst we have increased our efforts to convince the members of the NLC Planning Committee of the clear merits of our new application, our recent experiences mean we remain fully prepared to take this new application through another appeal process. As the most recent example of their apparent intransigence, on 1 August 2018 the NLC Planning Committee refused our application to extend the existing consent for the Wressle site despite a recommendation for approval from their own professional planning officers. The reasons cited were conflicts with paragraph 205 of the National Planning Policy Framework and policy M21 of the North Lincolnshire Local Plan even though in his decision of January 2018 the Inspector found in Egdon's favour on our appeal against the same reasons. We have now submitted an appeal against this decision and await the timeline for the process. We anticipate the current application being heard by committee before the end of 2018.

Notwithstanding the issues experienced to date, and demonstrating our commitment to and confidence in the Wressle field development, in June 2018 we announced the acquisition of an additional 5% interest in PEDL180 and PEDL182 from Celtique Energie Petroleum Limited for a deferred cash consideration of £0.417 million payable on commencement of production.

Portfolio Management

During the period we completed the acquisition of P2304, acquired additional interests in PEDL180 and PEDL182, as detailed above, and made partial relinquishments of P1929, PEDL068, PEDL202 and PEDL306 to manage ongoing licence costs and to concentrate on the most prospective parts of those licences. In PEDL068 we have relinquished the part-block containing the Westerdale Prospect as the technical and commercial risks of this prospect no longer remain attractive and have written-off the costs associated with the Westerdale Prospect.

Operating Review
continued

Production
Average daily production over the full year was 84 boepd (2017: 105 boepd) against guidance of 100 boepd with the shortfall mainly due to the loss of six weeks' production at Ceres. This was a result of the summer maintenance shut-down commencing in July, before the end of the financial year, and two weeks when the field was shut-in as a result of unplanned downtime.

The outlook for the **Ceres** field is positive as an increased volume of gas in-place, and hence ultimate recoverable reserves, is indicated by pressure recovery observed while the Ceres well has remained shut-in. Ceres primary production has just restarted following the installation of a new flowmeter adding to the existing back-out production and will provide a significant boost to Egdon's production. We will provide an update on well performance once we have a period of stable production data. We expect production from Ceres (primary and back-out gas) net to Egdon to average over 125 boepd in the first half of the 2018-2019 financial year ("FY2019").

At **Fiskerton Airfield**, in January and March 2018 the producing FA-3 and the shut-in FA-1 wells were worked over to install new tubulars and pumps in both wells and to isolate zones of water production in FA-1. Whilst production from FA-3 has improved post workover, the installation of a new packer on FA-1 was only partly successful in increasing oil rates and further intervention is being considered for early 2019. The field is currently producing between 20 and 22 boepd net to Egdon.

The Keddington oil field produced ahead of forecast in the period (average 12 - 13 boepd net to Egdon) and we continue to review the possibility of further sidetrack drilling at the field.

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, a task made easier by the strengthening in commodity prices. Significant progress has been made in evaluating the shut-in **Waddock Cross** oil field (PL090) where completion of the reprocessing and interpretation of existing 3D seismic moves us closer towards a decision to drill further development wells and restore production.

The pending completion of the sale by IGas of its interest in the **Avington** oil field (PEDL070) to Onshore Petroleum Limited should lead to added impetus to reduce water disposal costs, workover existing wells and recommence production of what is still a productive reservoir. We remain in discussion with various parties on recommencing production from the **Kirkleatham** gas field (PEDL068) and we are looking at options for interventions at **Dukes Wood** (PEDL118) and **Kirklington** (PEDL203) to restore increased production.

Regulation
Gaining regulatory and planning consent remains a key risk for the business. There is strong government support for our sector as evidenced by the recognition of the importance of onshore oil and gas in the Written Ministerial Statement of May 2018 from the Department of Business, Energy and Industrial Strategy (BEIS) and the Department for Housing, Communities and Local Government (DHCLG). The government also announced consultations on "shale" exploration wells to be drilled under "permitted development" (i.e. without the requirement of a full planning application) and on the inclusion of shale production projects into the Nationally Significant Infrastructure Projects regime. Both consultations have commenced and are expected to be completed by the end of the year.

Egdon welcomed the government's announcement which emphasised the national importance that shale-gas exploration and development has in delivering a safe and secure energy source, whilst meeting the country's Climate Change obligations. In particular, we support the measures the government has introduced on making the planning process "faster and fairer" and providing additional resources to help stretched local authorities.

As context, gas is used to heat more than 80% of the UK's households and for cooking in more than 60% of the UK's homes. Whilst renewable sources of energy provide a growing share of our electricity, gas still accounts for nearly half including most of the back-up power for when renewables are not producing. We currently import 50% of our gas needs at a significant financial cost to the UK taxpayer – over £13 million a day – and that figure is set to grow to almost 80% by 2035. The UK's gas reserves contribute to ensuring the nation has a secure, affordable and low carbon energy source.

Community Engagement
To improve the information available to the communities in which Egdon operates or plans to operate, a new community facing website **www.egdon-community.com** is in development. The website will provide a portal for detailed local information and answers to frequently asked questions about our operations. It will also provide details of Egdon's Community Fund, which will enable the communities where we operate to benefit financially from our operations.

Outlook

Production guidance for the first half of the 2018-2019 financial year is c.150 - 180 boepd based upon production from Ceres, Keddington and Fiskerton Airfield. Ceres primary production has just restarted following the installation of a new flowmeter adding to the existing back-out gas production. Additional intervention is being considered in the Fiskerton Airfield FA-1 well for early 2019 and we continue to review the possibility of further sidetrack drilling at Keddington. Furthermore, approval of the Wressle development could potentially allow the field to contribute to FY2019 production as could possible activity presently under review at Avington, Waddock Cross, Kirkleatham and other fields currently shut-in for economic reasons.

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

- Drilling of operated wells at Biscathorpe-2 and, subject to further farm-out, North Kelsey-1
- Drilling of the non-operated well at Springs Road-1
- Finalising the funding for and undertaking the acquisition of a marine 3D seismic survey over the Resolution and Endeavour Prospects
- Securing planning consent and developing the Wressle discovery for commercial production

We are at a crossroads in terms of the UK Onshore sector with activity in the coming period seeing the drilling and testing of several unconventional resources wells – most importantly Cuadrilla's Preston New Road 1 & 2 hydraulic fracturing operations and tests – 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 the potential to deliver value for our shareholders in the near to medium term.

Mark Abbott
Managing Director
29 October 2018

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, Health and Safety Executive, the Oil and Gas Authority and the local minerals planning authority.

Egdon will shortly launch a community facing website: www.egdon-community.com, which will provide a portal for local information, frequently asked questions and answers and details of the operation of Egdon's Community Fund.

Oil and Gas Reserves and Resource Estimates

Class of reserve/resource	Proven	Proven + probable	Proven + probable + possible	Units	Field/Prospect Name
Net Oil Reserves	0.30	0.54	0.87	MMbbls	Keddington, Fiskerton Airfield, Wressle, Avington, Waddock Cross phase 1, Dukes Wood/Kirklington
	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	Biscathorpe, North Kelsey, Holmwood, Broadmayne, Louth, Lea 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	0.97	1.39	2.23	Bcf	Ceres, Wressle, Nooks Farm
	Low Estimate	**Best Estimate**	**High Estimate**		
Net Gas Contingent Resources	217.97	340.61	512.83	Bcf	Resolution, Endeavour, Kirkleatham, Keddington Namurian, Wressle (Penistone)
Net Gas Prospective Resources (conventional)	22.22	55.25	102.54	Bcf	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	1,213.04	3,711.76	11,145.42	Bcf	
Total Contingent and Prospective Resources	250.38	699.07	1,995.51	Mmboe	

Note: all numbers are Company estimates (2018) except Wressle which is ERCEquipoise (2016)

MMbbls – million barrels of oil

Bcf – billion cubic feet of gas

Mmboe – million barrels of oil equivalent. Gas is converted to oil equivalent using approximately 6 Bcf to 1 MMbbls

United Kingdom Licences Summary

Kirkleatham

PEDL068	68%

- Kirkleatham Gas Field remains shut-in
- Planning consents extended to enable a side-track well to an identified up-dip area of the accumulation
- 2C remaining reserves of 0.33 bcf (net Egdon)

Northern England Shale-Gas

Various	

- Total area of c.189,000 net acres assessed as having shale-gas potential
- Updated Mean GIIP of 50.9 TCF

Springs Road

PEDL139/140	14.5%

- Carried shale-gas exploration well - Springs Road-1, to be drilled H1 2019

Dukes Wood / Kirklington

PEDL 118/203	55.56%

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

Avington

PEDL070	28%

- Great Oolite (Jurassic) oil field with two producing wells shut-in
- New Operator to advise options for production to be restored 2019

Waddock Cross

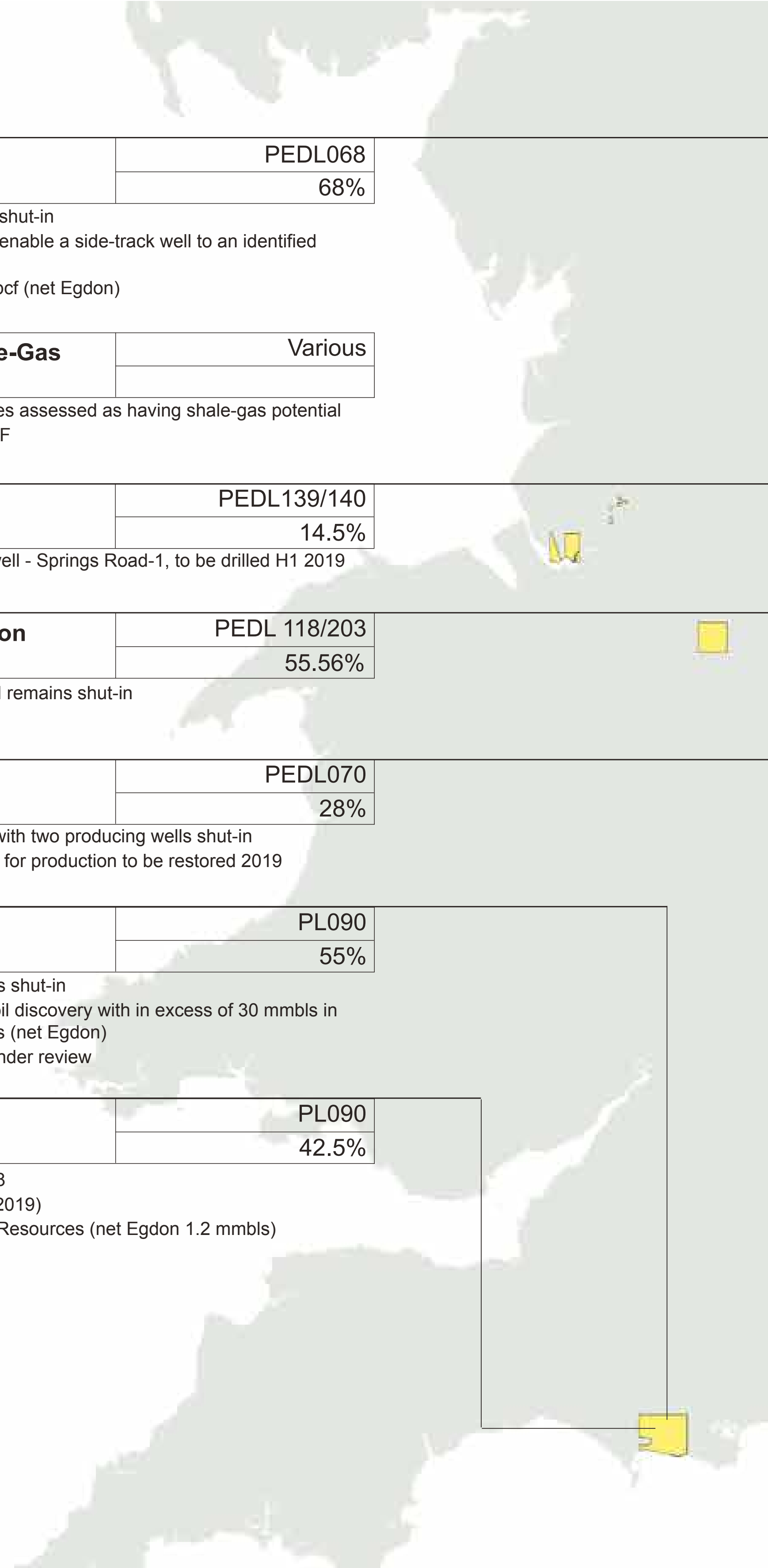
PL090	55%

- 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 production under review

Broadmayne

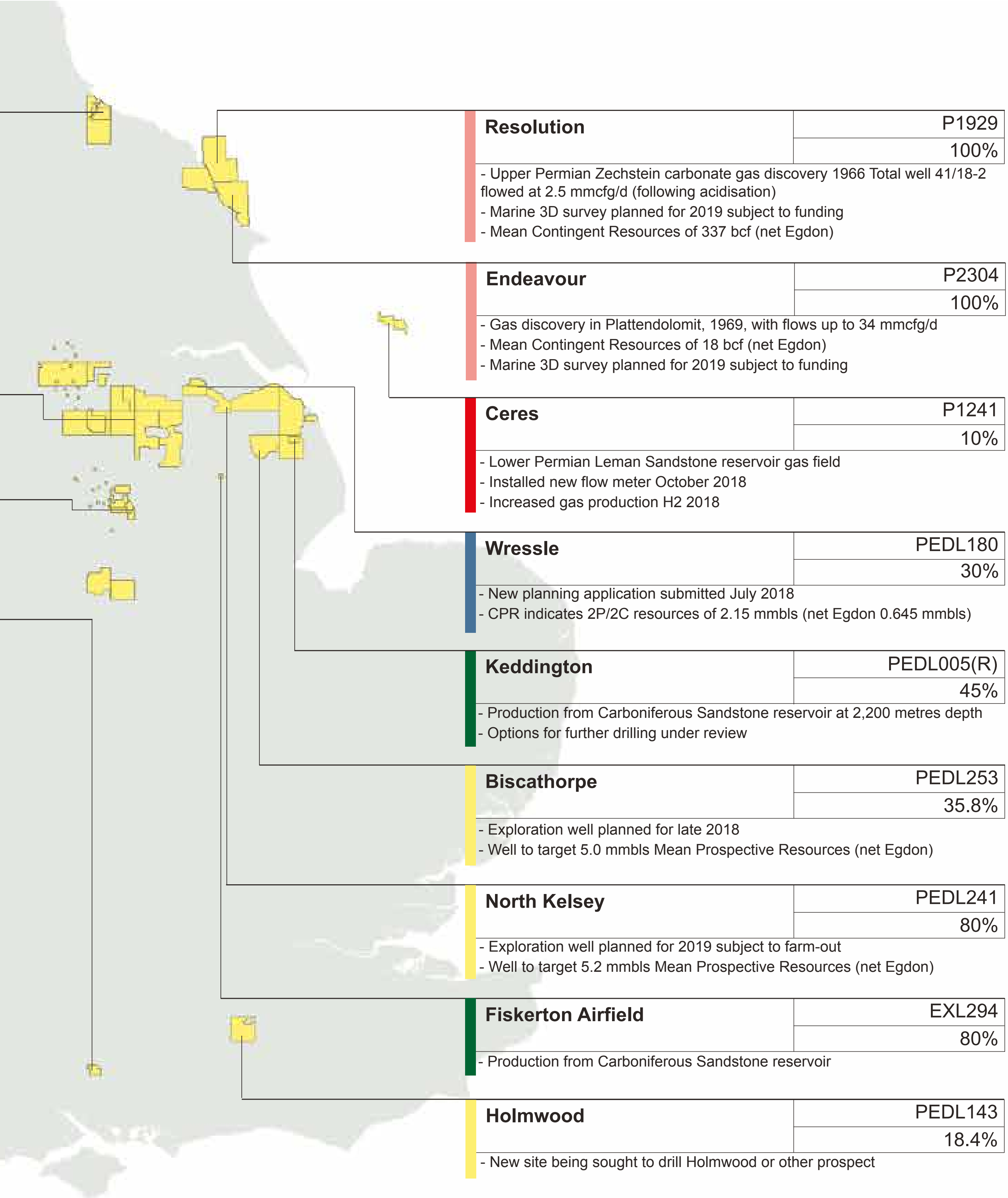
PL090	42.5%

- 3D seismic reprocessed in 2018
- Exploration well under review (2019)
- 2.78 mmbls Mean Prospective Resources (net Egdon 1.2 mmbls)



KEY

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


Resolution
P1929
100%
- Upper Permian Zechstein carbonate gas discovery 1966 Total well 41/18-2 flowed at 2.5 mmcfg/d (following acidisation)
- Marine 3D survey planned for 2019 subject to funding
- Mean Contingent Resources of 337 bcf (net Egdon)
Endeavour
P2304
100%
- Gas discovery in Plattendolomit, 1969, with flows up to 34 mmcfg/d
- Mean Contingent Resources of 18 bcf (net Egdon)
- Marine 3D survey planned for 2019 subject to funding
Ceres
P1241
10%
- Lower Permian Leman Sandstone reservoir gas field
- Installed new flow meter October 2018
- Increased gas production H2 2018
Wressle
PEDL180
30%
- New planning application submitted July 2018
- CPR indicates 2P/2C resources of 2.15 mmbls (net Egdon 0.645 mmbls)
Keddington
PEDL005(R)
45%
- Production from Carboniferous Sandstone reservoir at 2,200 metres depth
- Options for further drilling under review
Biscathorpe
PEDL253
35.8%
- Exploration well planned for late 2018
- Well to target 5.0 mmbls Mean Prospective Resources (net Egdon)
North Kelsey
PEDL241
80%
- Exploration well planned for 2019 subject to farm-out
- Well to target 5.2 mmbls Mean Prospective Resources (net Egdon)
Fiskerton Airfield
EXL294
80%
- Production from Carboniferous Sandstone reservoir
Holmwood
PEDL143
18.4%
- New site being sought to drill Holmwood or other prospect

Financial Review

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 £1.98 million for the year (2017: £1.70 million) after write-downs, impairment reversals and pre-licence costs amounting in total to £0.40 million (2017: £0.19 million).

Gross revenue from oil and gas production during the year was £1.00 million (2017: £1.04 million) which is offset by £0.22 million (2017: £Nil) partial write-off of accrued back-out gas revenues for Ceres on the basis that the full amount is no longer considered recoverable.

Exploration costs written-off and pre-licence costs amounted to £1,049,719 (2017: £191,252) inclusive of write-offs in respect of one relinquished licence (2017: one) and the write-down of PEDL143 costs following the decision by the Forestry Commission not to renew the existing site lease. Additionally, following on from the normal periodic impairment review of asset values, an impairment write-back of £0.65 million has been made in the financial statements (2017: £Nil).

The increase in direct production costs from £752,643 in 2017 to £824,250 is primarily due to higher operating costs at Ceres and a full year of operating costs at Fiskerton.

The reduction in administrative expenses to £1,093,496 (2017: £1,178,249) is due to savings in advisor costs and favourable exchange rate movements.

Loss per share for the period was 0.76p (2017: 0.68p).

No taxation charge arises on the result for the year.

As at 31 July 2018, the Group had carry forward tax losses of £46,859,692 (2017: £40,576,143). The increase in available losses primarily reflects the trading loss generated in the year and capital allowances claimed on exploration expenditure.

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 £2.87 million (2017: £6.40 million) of which £2.77 million was cash and cash equivalents (2017: £6.06 million).

The movement in receivables reflects the partial write-off of the Ceres back-out revenue accrual of £0.22 million, the transfer of contingent consideration of £0.25 million, relating to a disposal in an earlier period, to tangible assets and normal working capital movements commensurate with a business of this nature.

Trade and other payables include deferred consideration of £417,000 in respect of the acquisition of the additional 5% interest in PEDL180 and PEDL182. In the prior year, 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 early in the current year.

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

Key Performance Indicators

The Group has experienced planning challenges during the year which have delayed activity and impacted production and reserves. However, taking this into account and recognising the improved commodity price environment in general terms, the Group is satisfied with its overall performance.

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

KPIs	For the year ending 31 July 2018	For the year ending 31 July 2017	Change %
Gross revenues	£1.00 million	£1.04 million	-4%
Total Comprehensive Income (Net Loss)	£(1.98) million	£(1.70) million	-16%
Net Current Assets (including cash)	£2.87 million	£6.40 million	-55%
Equity	£30.72 million	£32.70 million	-6%
Production Volumes	30,923 boe	38,346 boe	-19%
No. of Licences	44	43	2%
Best Estimate Resources	699.07 Mmboe	673.48 Mmboe	4%
Reportable Health and Safety Incidents	0	0	0%

Risk Management

The Board takes into consideration a broad and comprehensive analysis of potential risk factors that may affect the business of the Group. From our current review of those factors the table below identifies the key risks faced by the Group at this time, their potential effect on the Group's business and our strategies to mitigate the impact. The risks listed are not exhaustive and additional risks and uncertainties, not presently identified or considered material by the Company, may arise or become material in the future. Whilst the constituent elements of the overall risk profile may not change significantly over time, the Board continues to assess the weighting to be attached to each of those elements over time.

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.

Despite the apparent support of government, regulatory uncertainties in the UK in relation to unconventional plays and planning considerations continue to have an impact on the business.

Financial Review

continued

External risks & mitigation

• Oil and gas price volatility presenting a high risk both financially and operationally	Use range of commodity prices in forecasting. Adopt a conservative approach to funding without recourse to debt if possible. Look to hedging as production volumes and number of fields increase. Maintain low cost of production at existing and future sites.
• Political risk, detrimental regulatory and fiscal changes presenting a high risk both financially and operationally	Develop sustainable relationships with government ministries and collaborate with industry bodies to communicate interests to government authorities. Actively engage with and lobby regulatory bodies. Consult with independent advisors and law enforcement agencies on matters of security.
• Delays and refusal of planning permission for operations	Develop professional well-supported planning applications using highly experienced advisors and consultants. Engage with stakeholders early in process to determine any specific problems and likelihood of a successful outcome. Active community engagement with retained PR consultant to assist in process. Pursue planning appeals as appropriate.
• Civil unrest/protester action disrupts drilling/testing operations resulting in time and cost overruns on operations and inability to conduct work as planned.	Liaison with local police to determine likelihood of problems. Consider security issues as part of well design and planning process. Site security measures designed to minimise chance of incursion and disruption. Employ specialist site security commensurate with the assessed risks. Use of injunctions against unlawful protester activity as required.

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 wellsite hydrocarbon leakage resulting in operational, environmental and financial risks	HSE management systems and standards set and monitored across the Group. Comprehensive insurance policies.
• Under-performing assets or failure in producing assets representing a financial and operational risk	Range of production forecasting in budget process. Increase number and breadth of producing assets to reduce reliance on single-site performance.

Ken Ratcliff
Chairman of Audit Committee
29 October 2018

Corporate Governance Statement

The Directors recognise the importance of sound corporate governance and are committed to maintaining the highest standards of corporate governance. As a company whose shares are traded on AIM, the Board has adopted and complies with the Quoted Companies Alliance's Corporate Governance Code ("the QCA Code"). In addition, the Directors have adopted a code of conduct for dealings in the shares of the Company by Directors and employees. Philip Stephens, in his capacity as Non-executive Chairman, has assumed responsibility for ensuring that the Company has appropriate corporate governance standards in place and that these requirements are followed and applied. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board. The Board recognises that its decisions regarding strategy and risk will affect the corporate culture of the Company as a whole and in turn the performance of the Company. The Board is very aware that the tone and culture set by the Board will determine the nature of the Company as a whole and the way that employees behave. A large part of the Company's activities is centred upon what needs to be an open and respectful dialogue with investors, whether they be individuals or corporate. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does.

The Board reviews investor engagement, public relations and health and safety performance as a routine part of every board meeting to ensure these cultural objectives and the principles defined in QCA code principles 2 - 4, 8 and 10 are being met.

The Board currently consists of six Directors, of whom two are executive and four are Non-executive. The Board believes that the shareholdings of Non-executives are not large enough to render them not independent and that therefore, apart from Andrew Lodge who represents a large shareholder, the Non-executive Directors are independent. The Board is conscious that some Directors have served for a significant number of years but believes that the size of the Company and the working relationships between the Directors, and the Directors and other employees means that this does not compromise their independence. The Board continues to consider whether it would be appropriate to seek to appoint additional Non-executive and/or Executive Directors but currently believes that appropriate oversight of the Company is provided. This view will continue to be reviewed by the Board. The Board has appointed me, Philip Stephens, as Chairman recognising my wide experience of corporate governance gained from a long career in UK Corporate Finance and having served as a Non-executive director and chairman of many disparate companies over the last 25 years. The Board believes that the presence of other senior Non-executive Directors means that the roles of Chairman and senior independent Director are adequately separated.

The Board meets regularly throughout the year. The table below shows the number of meetings held and the individual Director attendance. Board meetings typically take half a day with one day of preparation time per meeting. The Non-executive Directors are contracted for 17 days per year and the Executive Directors are full-time.

	Board	Audit Committee	Remuneration Committee
Meetings held during the year to 31 July 2018	7	3	1
Executive Directors			
Mark Abbott	7	–	–
Jeremy Field	7	–	–
Non-executive Directors			
Philip Stephens	7	3	1
Paul Jenkinson†	4	–	–
Andrew Lodge	6	–	–
Ken Ratcliff	7	3	1
Walter Roberts	7	–	1

† Paul Jenkinson ceased to be a Director on 11 April 2018.

Corporate Governance Statement
continued

The QCA Code sets out ten principles which should be applied. These are detailed on the Company's website (www.egdon-resources.com/corporate-governance) and listed below together with a short explanation of how the Company applies each of the principles:

Deliver Growth

QCA Code Principle	What Egdon does and why
1. Establish a strategy and business model which promote long-term value for shareholders	Egdon's strategy is explained fully within the Strategic Report section on pages 2 - 18 of the Report and Financial Statements for the year ended 31 July 2018. Our strategy is focused around three near term objectives: a) Production - a continued focus on maximising production rates, revenues and profitability from existing producing assets through targeted investment, and b) UK unconventional resources - growing the Company's exposure to exploration opportunities in Northern England, and c) Conventional resources exploration and appraisal - adding additional reserves/revenues through an active conventional resources drilling programme whilst managing risk and financial exposure through farm-outs. The key risks to the business and how these are mitigated are detailed on pages 17 - 18 of the Report and Financial Statements for the year ended 31 July 2018.
2. Seek to understand and meet shareholder needs and expectations	The Board is committed to investing all resources in the Company and accordingly intends to defer payment of any dividends until such time as the portfolio of assets is self-sustaining. Egdon encourages two-way communication with both its institutional and private investors and responds quickly to all queries received. The Chairman, Managing Director and senior managers talk regularly with the Company's major shareholders and analysts and invite them to presentations immediately following publication of both the interim and final results. They then ensure that investors' views are communicated fully to the Board. The Company commissions research by Edison Investment Research Limited to ensure that a non-introspective viewpoint is also available to private and institutional investors alike. The Board recognises the AGM as an important opportunity to meet private shareholders. The Chairman has a record of allowing wide ranging discussion at the AGM even when not germane to the resolution being discussed. The AGM invariably includes a presentation by the Managing Director and others on developments which have occurred since the Annual Report went to press. Where voting decisions are not in line with the Company's expectations the Board will engage with those shareholders to understand and address any issues. The Chairman is the main point of contact for such matters. The largest shareholder (*Petrichor Holdings Coöperatief, U.A.*) has indicated that it does not wish to have a seat on the Board for the time being. The second largest shareholder (*Premier Oil PLC*) is currently represented on the Board by Andrew Lodge.

QCA Code Principle	What Egdon does and why
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	Egdon is fully committed to safe and environmentally sensitive working in all aspects of its business and all communities in which it operates. This is evidenced and underpinned by the detailed work done with HSE on all operations and the pride with which the Board was again able to record no reportable health, safety or environmental incidents during the year to 31 July 2018. Egdon encourages feedback at the AGM and at other times from investors and the public at large. We utilise social media such as Twitter® to communicate Egdon and UK onshore industry news and we closely monitor responses on this and bulletin boards.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	Risk Management on pages 17 - 18 of the Report and Financial Statements for the year ended 31 July 2018 details risks to the business, how these are mitigated and the change in the identified risk over the last reporting period. The Board formally reviews, reclassifies and tabulates the principal risks to the business at least annually. Whenever a change to the business environment is identified the Board considers whether this affects any particular risk or mitigation strategy.

Corporate Governance Statement
continued

Maintain A Dynamic Management Framework

QCA Code Principle	What Egdon does and why
5. Maintain the board as a well-functioning, balanced team led by the chair	The Company is controlled by the Board of Directors. Philip Stephens, the Non-executive Chairman, is responsible for the running of the Board and Mark Abbott, the Managing Director, has executive responsibility for running the Company's business and implementing strategy. All Directors receive regular and timely information on the Company's operational and financial performance. Board Papers are circulated to all Directors in advance of meetings, together with other relevant information. In addition, minutes of the meetings of the Directors are circulated to the Directors for review and correction before being tabled for signature by the Chairman at the next meeting. All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. No such advice was sought during the year. The Board comprises two Executive Directors and four Non-executive Directors. The Board considers that all Non-executive Directors bring an independent judgement to bear and that their various backgrounds foster consideration of many viewpoints. The Board meets at least six times per annum. It has established an Audit Committee and a Remuneration Committee, particulars of which appear hereafter. The Board agreed that appointments to the Board are made by the Board as a whole and so has not created a Nominations Committee. **Audit Committee and Report** 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 three times in the year to 31 July 2018. Matters of audit planning, accounting judgement and audit risks were considered by the committee during the year and in their meeting with senior representatives from the Company's auditors. The Chairman of the committee, Ken Ratcliff, advised the Board of the outcome of the committee's deliberations and remains available for direct approach from the auditors should that be necessary. **Remuneration Committee and Report** 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 2018, there were various ad hoc discussions between members during the year, usually as part of main Board meetings. During the year the committee decided there would be no changes to the remuneration of Executive and Non-executive Directors and senior management, which is detailed in Note 7 of the financial statements. The Non-executive Directors are contracted to provide more time to the Company than in practice has been needed and no significant lack of availability has been identified.

QCA Code Principle	What Egdon does and why
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	The Board believes that between the Directors there should be a complete range of current relevant experience. It also believes that its members should have as full a variety as possible of personal attributes and experience. The extent to which any prospective Director adds to this is an essential part of the appointment process. The Board as a whole has regular briefings, training and refresher seminars in respect of Corporate Governance matters including the AIM Rules and Market Abuse Regulations. Individual Directors are active in other businesses and activities relevant to their specific skills and attend ad-hoc training, seminars and conferences.
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	The Board plans to carry out an evaluation of its performance annually, taking into account the Financial Reporting Council's Guidance on Board Effectiveness, with the first review scheduled for next year. All Directors will undergo a performance evaluation before being proposed for re-election to ensure that their performance is and continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role. Appraisals of all Directors are to be carried out each year. All continuing Directors stand for re-election at least every three years.
8. Promote a corporate culture that is based on ethical values and behaviours	The Board recognises that its decisions regarding ethics, strategy and risk will determine the whole corporate culture of the Company and that this will in turn determine the long-term performance of the Company. The Company's success relies on establishing and maintaining a relationship of trust and respect with government and its various national and local agencies, the HSE, local people in its areas of operations and its industry partners and contractors. The Board is therefore resolved to ensure that sound ethical values and behaviour are core to the culture of the Company. The Company has adopted, with effect from the date on which its shares were first admitted to AIM, a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM, and is in accordance with rule 21 of the AIM rules. The Chairman and the Company Secretary are responsible for administering the code and have always adopted a conservative approach in doing so.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	This Corporate Governance Statement details the Company's governance structures and why they are appropriate and suitable for the Company.

Build Trust

QCA Code Principle	What Egdon does and why
10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Egdon encourages two-way communication with both its institutional and private investors and endeavours to respond quickly to all queries received. The Chairman and the Managing Director talk regularly with the Company's major shareholders and invite them to presentations immediately following publication of both the interim and final results. They then ensure that investors' views are communicated fully to the Board. The Company commissions research by Edison Investment Research Limited to ensure that a non-introspective viewpoint is also available to private and institutional investors alike. The Board recognises the AGM as an important forum to meet private shareholders. The Chairman has a record of allowing wide ranging discussion at the AGM even when not germane to the resolution being discussed. The AGM invariably includes a presentation by the Managing Director and others on developments which have occurred since the Annual Report went to press. Investors also have access to current information on the Company through its website, **www.egdon-resources.com**, and via Mark Abbott (Managing Director) and James Elston (Director of Egdon Resources U.K. Limited) who are available to answer investor relations enquiries.

Board of Directors

Philip Stephens

Non-executive Chairman (Appointed 21/10/2004)

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 and brings significant corporate governance and corporate finance skills and experience to the Board.

Mark Abbott

Managing Director (Appointed 26/08/1997)

Mark is a founding Director of Egdon Resources plc. 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. Mark is an experienced geophysicist and project manager with in-depth knowledge of the Company's assets. He has significant experience in all aspects of running an AIM listed oil and gas business.

Jeremy Field

Technical Director (Appointed 09/12/2012)

Jerry has nearly 40 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 area of the UK Onshore. Jerry's skills, knowledge and experience guide the technical evaluations undertaken by the Company.

Walter Roberts

Non-executive Director and Company Secretary (Appointed 30/07/2001)

Walter is a highly experienced oil and gas lawyer with an engineering background. He qualified as a solicitor with Simmons & Simmons before joining Phillips Petroleum in 1980. In 1986 he set up the legal department for Lasmo in Australia and later became the principal UK joint venture negotiator for Talisman. He is an Executive Director of Pinnacle Energy Limited. Walter provides a wealth of knowledge and experience in both company law and the legal and commercial aspects of the oil and gas business.

Ken Ratcliff

Non-executive Director (Appointed 30/07/2001)

Ken is a chartered accountant. 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. Ken's extensive business and finance experience and knowledge provides oversight of the accounting and financial functions of the business.

Andrew Lodge

Non-executive Director (Appointed 09/03/2012)

A highly experienced geoscientist and manager, Andrew retired in 2017 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. Andrew's extensive skills and knowledge in respect of both the technical and commercial aspects of the oil and gas sector provide valuable guidance and advice in these aspects of the business.

Directors' Report

The Directors submit their report together with the audited consolidated financial statements of Egdon Resources plc for the year ended 31 July 2018.

Business review

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

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 (2017: None).

Results and dividends

The Group recorded a loss after tax of £1.98 million for the year (2017: £1.70 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 (2017: 259,984,822). There have been no movements in share capital during the year.

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 Coöperatief U.A.	29.99%
Premier Oil PLC	15.08%
Canaccord Genuity Group Inc.	10.41%
Hargreaves Lansdown Asset Mgt	5.29%
P Evershed and Clients	3.80%
Mr Mark Abbott	3.11%

No Directors, other than Mark Abbott, hold 3% or more in the Company's share capital.

Directors

The Directors of the Company at the date of this report, and their biographical summaries, are given on page 24. Paul Jenkinson resigned as a Director on 11 April 2018.

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 20 to the financial statements.

Employees

The Group had 13 employees as at 31 July 2018 (2017: 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.

Future developments

Future developments are disclosed in the Operating Review set out on pages 7 - 11.

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
29 October 2018

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Group 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 Company 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 Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for ensuring that they meet their responsibilities under the AIM Rules.

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

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 2018 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.

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 2018 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 as applied to SME listed entities, 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 twelve 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's net assets as shown on its statement of financial position exceed the current market capitalisation of the Group, which could indicate that the exploration and evaluation, and the development and production assets are impaired in value.

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.

Independent Auditor's Report to the Members of Egdon Resources plc
continued

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 Directors' 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 costs of production, 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.

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 £1,500,000. 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 £1,200,000. 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 had eight reporting components during the year, all of which were UK limited companies. Within the year, all assets, liabilities and trade of six of these companies were transferred to another company and the six companies were struck off the register of companies either during the year or just after the year end.

We are appointed auditor and have performed audits of the financial statements of each continuing company and also, for Group reporting purposes only, audited the revenue of the six components which were struck off. Expenditure incurred by the struck off companies, which amounted to 0.6% of the total Group expenditure, was not audited.

The Group's assets and liabilities are located in the UK and all Group entities have common management and centralised process and controls. Our audit work was therefore all conducted solely in 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 26, 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.

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.

Use of our report

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.

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

25 Moorgate
London
EC2R 6AY

29 October 2018

Consolidated Statement of Comprehensive Income

for the year ended 31 July 2018

	Note	**2018** £	2017 £
Revenue – continuing	3		
Sales on production		**1,000,830**	1,039,348
Accrued revenue write-off		**(222,000)**	–
Revenue		**778,830**	1,039,348
Cost of sales:			
– exploration costs written-off and pre-licence costs		**(1,046,691)**	(32,961)
– write-off of French assets		**(3,028)**	(158,291)
– impairment reversals		**648,000**	–
– depreciation		**(366,800)**	(462,500)
– direct production costs		**(824,250)**	(752,643)
– other, including shut-in fields		**(161,429)**	(169,867)
Total cost of sales		**(1,754,198)**	(1,576,262)
Gross loss		**(975,368)**	(536,914)
Administrative expenses		**(1,093,496)**	(1,178,249)
Other operating income		**131,312**	58,145
		(1,937,552)	(1,657,018)
Finance income	10	**8,167**	4,947
Finance costs	11	**(48,747)**	(46,775)
Loss before taxation	4	**(1,978,132)**	(1,698,846)
Taxation	12	**–**	–
Loss for the year		**(1,978,132)**	(1,698,846)
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year attributable to equity holders of the parent		**(1,978,132)**	(1,698,846)
Loss for the year per share			
Basic loss per share	13	**(0.76)p**	(0.68)p
Diluted loss per share	13	**(0.76)p**	(0.68)p

The notes on pages 37 to 59 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 July 2018

Company number 06409716

	Note	2018 £	2017 £
Non-current assets			
Intangible assets	14	**19,571,708**	19,230,801
Property, plant and equipment	15	**10,533,573**	9,263,814
Total non-current assets		**30,105,281**	28,494,615
Current assets			
Inventory		**8,011**	–
Trade and other receivables	17	**1,240,488**	1,556,610
Cash and cash equivalents	18	**2,771,617**	6,056,824
Total current assets		**4,020,116**	7,613,434
Current liabilities			
Trade and other payables	19	**(1,150,017)**	(1,216,166)
Net current assets		**2,870,099**	6,397,268
Total assets less current liabilities		**32,975,380**	34,891,883
Non-current liabilities			
Provisions	21	**(2,248,685)**	(2,187,056)
Net assets		**30,726,695**	32,704,827
Equity			
Share capital	22	**14,550,727**	14,550,727
Share premium	23	**25,202,194**	25,202,194
Share-based payment reserve		**176,696**	225,033
Retained earnings		**(9,202,922)**	(7,273,127)
		30,726,695	32,704,827

The financial statements were approved by the Board of Directors and authorised for issue on 29 October 2018.

Mark Abbott
Managing Director

The notes on pages 37 to 59 form part of these financial statements.

Company Statement of Financial Position

at 31 July 2018

Company number 06409716

	Note	2018 £	2017 £
Non-current assets			
Property, plant and equipment	15	**–**	–
Investments	16	**14,172,824**	15,196,930
Total non-current assets		**14,172,824**	15,196,930
Current assets			
Trade and other receivables	17	**21,044,425**	18,782,410
Cash and cash equivalents	18	**2,137,865**	5,175,421
Total current assets		**23,182,290**	23,957,831
Current liabilities			
Trade and other payables	19	**(65,080)**	(144,722)
Net current assets		**23,117,210**	23,813,109
Total assets less current liabilities		**37,290,034**	39,010,039
Non-current liabilities			
Provisions	21	**(20,525)**	(20,525)
Net assets		**37,269,509**	38,989,514
Equity			
Share capital	22	**14,550,727**	14,550,727
Share premium	23	**25,202,194**	25,202,194
Merger reserve	24	**2,357,816**	2,357,816
Share-based payment reserve		**176,696**	225,033
Retained earnings		**(5,017,924)**	(3,346,256)
		37,269,509	38,989,514

The Company has elected to take 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 £1,720,005 (2017: loss - £433,345).

The financial statements were approved by the Board of Directors and authorised for issue on 29 October 2018.

Mark Abbott
Managing Director

The notes on pages 37 to 59 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 July 2018

	2018 **£**	2017 £
Cash flows from operating activities		
Loss before tax	**(1,978,132)**	(1,698,846)
Adjustments for:		
Depreciation and impairment reversals of non-current assets	**(281,200)**	463,838
Exploration costs written-off	**1,038,000**	176,840
Write-off of accrued revenue	**222,000**	–
Foreign exchange (gain)/loss	**(22,885)**	16,208
Increase in inventory	**(8,011)**	–
(Increase)/decrease in trade and other receivables	**(155,878)**	1,034,480
Decrease in trade and other payables	**(483,149)**	(456,255)
Finance costs	**48,747**	46,775
Finance income	**(8,167)**	(4,947)
Cash used in operations	**(1,628,675)**	(421,907)
Interest paid	**–**	–
Taxation paid	**–**	–
Net cash flow used in operating activities	**(1,628,675)**	(421,907)
Cash flows from investing activities		
Finance income	**8,167**	4,947
Payments for exploration and evaluation assets	**(1,376,689)**	(908,323)
Purchase of property, plant and equipment	**(447,895)**	(145,433)
Sale of property, plant and equipment	**137,000**	–
Net cash used in capital expenditure and investing activities	**(1,679,417)**	(1,048,809)
Cash flows from 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 (decrease)/increase in cash and cash equivalents	**(3,308,092)**	3,394,252
Cash and cash equivalents at beginning of year	**6,056,824**	2,678,780
Effects of exchange rate changes on the balance of cash held in foreign currencies	**22,885**	(16,208)
Cash and cash equivalents at end of year	**2,771,617**	6,056,824

In 2018, significant non-cash transactions comprised the acquisition of an additional 5% interest in PEDL180 and PEDL182 for £417,000 deferred consideration.

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.

The notes on pages 37 to 59 form part of these financial statements.

Company Statement of Cash Flows

for the year ended 31 July 2018

	2018 £	2017 £
Cash flows from operating activities		
Loss before tax	**(1,720,005)**	(433,345)
Adjustments for:		
Depreciation of plant and equipment	**–**	1,338
Write-off of investments	**1,024,106**	–
Increase in trade and other receivables	**(2,551,895)**	(1,301,760)
Write-off of inter-company receivables	**289,880**	–
(Decrease)/increase in trade and other payables	**(79,642)**	24,023
Finance costs	**–**	–
Finance income	**(7,731)**	(4,852)
Cash used in operations	**(3,045,287)**	(1,714,596)
Interest paid	**–**	–
Net cash flow used in operating activities	**(3,045,287)**	(1,714,596)
Cash flows from investing activities		
Finance income	**7,731**	4,852
Net cash generated from capital expenditure and financial investment	**7,731**	4,852
Cash flows from 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 (decrease)/increase in cash and cash equivalents	**(3,037,556)**	3,155,224
Cash and cash equivalents at beginning of year	**5,175,421**	2,020,197
Cash and cash equivalents at end of year	**2,137,865**	5,175,421

In 2018, there were no significant non-cash transactions.

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.

The notes on pages 37 to 59 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 July 2018

	Share capital £	Share premium £	Share -based payment reserve £	Retained earnings £	Total equity £
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
Loss for the year	**–**	**–**	**–**	**(1,978,132)**	**(1,978,132)**
Total comprehensive income for the year	**–**	**–**	**–**	**(1,978,132)**	**(1,978,132)**
Transfer on lapse of options	**–**	**–**	**(48,337)**	**48,337**	**–**
Balance at 31 July 2018	**14,550,727**	**25,202,194**	**176,696**	**(9,202,922)**	**30,726,695**

The notes on pages 37 to 59 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 July 2018

	Share capital £	Merger reserve £	Share premium £	Share -based payment reserve £	Retained earnings £	Total equity £
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
Loss for the year	**–**	**–**	**–**	**–**	**(1,720,005)**	**(1,720,005)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(1,720,005)**	**(1,720,005)**
Transfer of lapsed options	**–**	**–**	**–**	**(48,337)**	**48,337**	**–**
Balance at 31 July 2018	**14,550,727**	**2,357,816**	**25,202,194**	**176,696**	**(5,017,924)**	**37,269,509**

The notes on pages 37 to 59 form part of these financial statements.

Notes Forming Part of the Financial Statements
for the year ended 31 July 2018

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, until 2017, 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. Should there be a shortfall in expected production or revenues the Directors have the flexibility to manage expenditure and/or recourse to other sources of funding. 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
a) New standards, interpretations and amendments effective from 1 January 2017
There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2017 that had a significant effect on the Group's financial statements, although an amendment to IAS 7 Statement of Cash Flows has resulted in additional disclosures as included in Note 25.

b) New standards, interpretations and amendments not yet effective
There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are shown below. These standards will be adopted for the years ended 31 July 2019 and 31 July 2020 as shown below.

- IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers (both mandatorily effective for periods beginning on or after 1 January 2018); and
- IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019).

IFRS 9 Financial Instruments
The adoption of IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement from 1 January 2018.

The Group has performed an initial review of the potential impact of the adoption of IFRS 9 on the financial statements for the year ending 31 July 2019, and has concluded that there should not be a material impact. The review was focused on the following areas:

- The application of the expected credit loss model to the amounts owed by customers to the Group. The Group has historically seen a low level of non-recovery of debts, and provides against amounts which are thought to be at risk of non-recovery. In addition, the debtors are short term in nature, with typical terms of 30 days from delivery. In the year to 31 July 2018, the total expense for non-recovery of debts was less then £10,000, therefore the adoption of IFRS 9 is not expected to have a material impact.
- The Group does not hold any financial assets or liabilities at fair value through profit and loss, therefore the implementation of IFRS 9 will not result in any change.

Notes Forming Part of the Financial Statements
continued

2 Accounting policies continued

IFRS 15 Revenue from Contracts with Customers

The Group earns its revenues from the sale of extracted oil and gas. Revenue is typically recognised at the point at which the goods are delivered to the customer, with the related invoice being raised at that point. Revenues do not, therefore, arise from long-term contracts.

The following contract types have been identified that may need to be accounted for differently under IFRS 15:

- Contracts where delivery is in stages, and the revenue recognition doesn't align with the delivery stages.
- Contracts where the customer commits to a minimum purchase over a period and the minimum amount is not reached at the financial year end.

The Group has performed an initial review of the impact of applying IFRS 15 to the results for the year ending 31 July 2019, and it appears that any impact would be immaterial to the Group's results.

IFRS 16 Leases

The Group will be required to adopt IFRS 16 on leases from 1 August 2019 as the Group has taken the decision to not adopt the standard early.

The adoption of IFRS 16 will result in the Group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its financial statements the total commitment. The adoption will therefore increase Group EBITDA by the amount of its current operating lease costs which for the year ended 31 July 2018 was £92,879, and is not expected to have a material impact on the net result for the year or on net assets.

At 31 July 2018, operating lease commitments amounted to £1,203,908, and this is not expected to be materially different to the anticipated position at 31 July 2019. Assuming the Group's lease commitments remain at this level and the effect of discounting those commitments is not material, a provisional amount in respect of right of use assets and lease liabilities of approximately £1,203,908 would be recognised on 1 August 2019.

The Group has not undertaken a detailed assessment of the other impacts of this standard at this point (for example, the effect on the use of contractors for drilling activities and the potential for embedded leases within these agreements).

On the basis that the standard is only applicable for the year ended 31 July 2020, the Group is not far advanced in its implementation of IFRS 16. The Directors have decided that the Group will apply the modified retrospective approach and therefore will only recognise leases on balance sheet as at 1 August 2019.

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.

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.

Notes Forming Part of the Financial Statements
continued

2 Accounting policies continued
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. If the impairment tests indicate that the circumstances resulting in a previous impairment charge have recovered so that the asset's recoverable amount exceeds its carrying value, previous impairments are reversed and a gain is recognised in cost of sales. Impairment reversals will not exceed any previous impairment write-offs.

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. If impairment tests indicate that the circumstances resulting in a previous impairment charge have recovered so that the asset's future discounted cash flows exceed its carrying value, previous impairments are reversed and a gain is recognised in cost of sales. Impairment reversals will not exceed any previous impairment write-offs.

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 where it is probable it 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.

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.

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.

Notes Forming Part of the Financial Statements
continued

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

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

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

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

Share-based payment transactions
Employees (including senior Executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transactions). The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

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

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

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

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

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

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

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

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

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

The following key judgements have been applied in preparing these financial statements:

Exploration and evaluation costs and development and production assets
Management is required to assess the exploration and evaluation 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.

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.

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 consideration is given to whether any provision for impairment is required.

Other key sources of estimation uncertainty:

Exploration and evaluation costs and development and production assets
In calculating the discounted cash flows, 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. Revisions to the best estimate of Proven and Probable Reserves have resulted in the reversal of impairments recorded in earlier years as disclosed in Note 15.

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.

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.

Notes Forming Part of the Financial Statements
continued

2 Accounting policies continued
Accrued income assessment

The financial statements include a receivable in respect of accrued back-out gas relating to the Ceres field recoverable from future production from neighbouring fields. In determining the likely value of the accrued income, the Directors have considered estimates of future production volumes provided by the operators of these neighbouring fields and the anticipated future commodity price.

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 31 July 2017 the Group ceased all significant activity in France. No activity is expected in France in the next financial year.

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 2018 and for the year ended 31 July 2017.

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, 52% (2017: 87%) 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 2018 and 2017, gas from the Group's producing field was sold to only one customer at any point in time. During 2018, there was a change to the contractual arrangement and to the end customer.

2018	UK £	France £	Unallocated £	Total £
Revenue				
Sales on production	**1,000,830**	**–**	**–**	**1,000,830**
Accrued revenue write-off	**(222,000)**	**–**	**–**	**(222,000)**
Revenue	**778,830**	**–**	**–**	**778,830**
Cost of sales:				
– exploration costs written-off and pre-licence costs	**(1,046,691)**	**(3,028)**	**–**	**(1,049,719)**
– impairment reversals	**648,000**	**–**	**–**	**648,000**
– depreciation	**(366,800)**	**–**	**–**	**(366,800)**
– direct production costs	**(824,250)**	**–**	**–**	**(824,250)**
– other, including shut-in fields	**(160,569)**	**(860)**	**–**	**(161,429)**
Total cost of sales	**(1,750,310)**	**(3,888)**	**–**	**(1,754,198)**
Gross loss	**(971,480)**	**(3,888)**	**–**	**(975,368)**
Other administrative expenses	**(29,736)**	**32,432**	**(1,096,192)**	**(1,093,496)**
Total administrative expenses	**(29,736)**	**32,432**	**(1,096,192)**	**(1,093,496)**
Other operating income	**131,312**	**–**	**–**	**131,312**
(Loss)/profit for the year before net finance costs and taxation	**(869,904)**	**28,544**	**(1,096,192)**	**(1,937,552)**
Finance income	**436**	**–**	**7,731**	**8,167**
Finance costs	**(48,747)**	**–**	**–**	**(48,747)**
(Loss)/profit before taxation	**(918,215)**	**28,544**	**(1,088,461)**	**(1,978,132)**
Taxation	**–**	**–**	**–**	**–**
(Loss)/profit for the year	**(918,215)**	**28,544**	**(1,088,461)**	**(1,978,132)**
Other segment information				
Non-current assets	**30,105,281**	**–**	**–**	**30,105,281**
Current assets	**1,820,027**	**–**	**2,200,089**	**4,020,116**
Current liabilities	**(1,084,938)**	**–**	**(65,079)**	**(1,150,017)**
Non-current liabilities	**(2,228,160)**	**–**	**(20,525)**	**(2,248,685)**
Net assets	**28,612,210**	**–**	**2,114,485**	**30,726,695**
Capital expenditure				
Intangible exploration and evaluation assets	**1,375,307**	**–**	**–**	**1,375,307**
Other intangibles	**3,600**			**3,600**
Property, plant and equipment – Oil and gas assets	**1,125,559**	**–**	**–**	**1,125,559**
Total	**2,504,466**	**–**	**–**	**2,504,466**

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.

2017	UK £	France £	Unallocated £	Total £
Revenue				
Sales on production	1,039,348	–	–	1,039,348
Cost of sales:				
– exploration costs written-off and pre-licence costs	(33,189)	(158,063)	–	(191,252)
– impairments and impairment reversals	–	–	–	–
– depreciation	(462,500)	–	–	(462,500)
– direct production costs	(752,643)	–	–	(752,643)
– other, including shut-in fields	(169,867)	–	–	(169,867)
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

4 Loss before taxation

	2018 £	2017 £
The loss for the year before taxation is stated after charging/(crediting):		
Auditor's remuneration (see Note 5)	**55,079**	56,519
Depreciation	**366,800**	463,838
Impairment reversals	**(648,000)**	–
Accrued revenue write-off	**222,000**	–
Exploration and appraisal costs written-off	**1,041,028**	157,221
Pre-licence costs expensed	**8,691**	34,031
Foreign exchange (gain)/loss	**(22,885)**	16,208
Operating lease rentals:		
– land and buildings (in administrative expenses)	**25,000**	25,000
– leases on operational sites (in costs of sales)	**67,879**	60,800

Notes Forming Part of the Financial Statements
continued

5 Auditor's remuneration

	2018 **£**	2017 £
Audit services:		
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	**15,860**	12,800
Other services:		
The auditing of financial statements of subsidiaries of the Company	**34,890**	39,550
All other services	**4,329**	4,169
Total audit and other services	**55,079**	56,519

6 Employee information

	2018 **£**	2017 £
Employee costs for the Group and Company during the year amounted to:		
Wages and salaries	**883,636**	879,826
Social security costs	**108,094**	107,542
Pension costs	**94,780**	94,524
	1,086,510	1,081,892

The average number of persons employed by the Group and Company in the year, including Executive and Non-executive Directors, was:

	2018 **Number**	2017 Number
Management and administration	**12**	12

7 Remuneration of Directors and key management

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

	2018 **£**	2017 £
Group and Company		
Directors' emoluments	**393,600**	413,600
Medical cover	**2,203**	2,105
Employer's national insurance contributions	**46,036**	48,261
Short-term employment benefits	**441,839**	463,966
Post-employment benefits	**71,346**	72,055
	513,185	536,021

The emoluments and compensation of individual Directors were as follows:

	Salary and fees £	Bonus £	Medical £	Pension (note 9) £	**Total 2018 £**	Total 2017 £
M Abbott	160,000	–	2,203	42,140	**204,343**	204,245
P Stephens	45,000	–	–	–	**45,000**	45,000
K Ratcliff	30,000	–	–	–	**30,000**	30,000
W Roberts	9,600	–	–	23,256	**32,856**	32,815
J Field	119,000	–	–	5,950	**124,950**	140,700
A Lodge	20,000	–	–	–	**20,000**	20,000
P Jenkinson (resigned 11 April 2018)	10,000	–	–	–	**10,000**	15,000
	393,600	–	2,203	71,346	**467,149**	487,760

The emoluments of the highest paid Director excluding pension contributions were £162,203 (2017: £162,105). Pension contributions include contributions made under a salary sacrifice arrangement totalling £34,140 (2017: £34,140).

Life policy and critical illness premiums of £5,378 (2017: £5,378) were paid in respect of the Managing Director and Directors' indemnity insurance premiums of £11,588 (2017: £9,774) were paid in respect of all Directors.

Fees of £10,000 (2017: £15,000) are payable to Alkane Energy plc in respect of director's services provided by Paul Jenkinson. Of these fees, £Nil (2017: £1,250) was outstanding at the year end.

Directors' share options outstanding at 31 July 2018 and at 31 July 2017:

	Exercise price (p)	Number of options	Date granted	Vesting date
M Abbott *	16.17	618,429	12/05/2008	01/08/2010
M Abbott	10.00	600,000	01/01/2013	01/01/2014
M Abbott	20.62	363,725	13/05/2014	01/05/2016
M Abbott	9.70	979,381	16/11/2015	01/08/2016
J Field	20.08	298,804	01/02/2011	01/08/2013
J Field	12.42	483,091	21/12/2011	01/01/2014
J Field	10.00	600,000	01/01/2013	01/01/2014
J Field	20.62	290,980	13/05/2014	01/05/2016
J Field	9.70	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.

* M Abbott's options from the 2008 grant lapsed during the current year.

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 remaining options from the 2008 grant lapsed during the current year.

Notes Forming Part of the Financial Statements
continued

8 Share-based payment plans continued
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 for the share option grants in the prior year. There were no new grants in 2018.

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.

	27/03/2017
Grant date share price (pence)	10.00
Exercise price (pence)	10.00
Expected volatility (%)	5.19
Option life (years)	10
Risk free interest rate (%)	0.20

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

Group and Company

	2018 Number	**2018 WAEP (pence)**	2017 Number	2017 WAEP (pence)
Opening balance	**11,144,146**	**13.54**	11,021,603	13.59
Granted during the year	**–**	**–**	300,000	10.00
Lapsed during the year	**(1,262,336)**	**16.17**	–	–
Exercised during the year	**–**	**–**	(177,457)	10.38
Outstanding at 31 July 2018	**9,881,810**	**13.21**	11,144,146	13.54

The weighted average remaining contractual life of share options outstanding as at 31 July 2018 is 6.19 years (2017: 6.45 years). At 31 July 2018, 9,881,810 (2017: 11,144,146) of the total number of share options outstanding could be exercised and these options had a weighted average exercise price of 13.21 pence (2017: 13.54 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 £37,384 (2017: £37,168) represents the sum payable to the scheme by the Group at rates agreed in respect of participating employees excluding contributions made under a salary sacrifice arrangement.

10 Finance income

	2018 £	2017 £
Interest receivable on short-term deposits	**8,167**	4,947

11 Finance costs

	2018 £	2017 £
Unwinding of decommissioning discount	**48,747**	46,775

12 Income tax

The major components of income tax expense for the years ended 31 July 2018 and 2017 are:

	2018 £	2017 £
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 2018 and 2017 is as follows:		
Accounting loss before tax from continuing operations	**(1,978,132)**	(1,698,846)
Loss on ordinary activities multiplied by the standard rate of tax of 19.00% (2017: 19.75%)	**(375,845)**	(335,258)
Expenses/(credits) not permitted for tax purposes	**6,738**	(830)
Movement in unrecognised deferred tax assets	**369,107**	336,088
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 £46,859,692 (2017: £40,576,143) 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 £6,898,535 (2017: £5,455,547) at the year end, calculated at a rate of 30% (2017: 28.6%) 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 2018 is based on the rate applicable to ring-fenced activities as for 2017. This is represented by accumulated tax losses of £46,859,692 (2017: £40,576,143) and short-term timing differences in respect of provisions of £2,228,160 (2017: £2,166,531) offset by accelerated capital allowances of £26,092,735 (2017: £23,667,336).

13 Loss per share

Basic loss per share	2018 £	2017 £
Loss for the financial year	**(1,978,132)**	(1,698,846)
Basic weighted average Ordinary shares in issue during the year	**259,984,822**	248,740,775

	Pence	Pence
Basic loss per share	**(0.76)**	(0.68)

Diluted loss per share	2018 £	2017 £
Loss for the financial year	**(1,978,132)**	(1,698,846)
Diluted weighted average Ordinary shares in issue during the year	**259,984,822**	248,740,775

	Pence	Pence
Diluted loss per share	**(0.76)**	(0.68)

The share options are not dilutive in 2018 or 2017 as a loss was incurred.

Notes Forming Part of the Financial Statements
continued

14 Intangible fixed assets

Group	Exploration and evaluation costs £	Other intangibles £	Total £
Cost			
At 1 August 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
Additions	1,375,307	3,600	1,378,907
Exploration written-off	(1,038,000)	–	(1,038,000)
At 31 July 2018	**19,441,749**	**129,959**	**19,571,708**
Net book value			
At 31 July 2018	**19,441,749**	**129,959**	**19,571,708**
At 31 July 2017	19,104,442	126,359	19,230,801
At 31 July 2016	18,244,016	126,359	18,370,375

The Group's unevaluated oil and gas interests at 31 July 2018 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.

In 2017, 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, subsequent to adjustments made, the likely value of each exploration area is individually in excess of its carrying amount.

During the year, the decision was taken to relinquish the part of licence PEDL068 which contains the Westerdale Prospect, effective 1 September 2018. A write-off of £753,000 (2017: £Nil) has been recognised in the Consolidated Statement of Comprehensive Income, included in cost of sales, in respect of the full carrying value of the asset. A further write-off of £285,000 (2017: £Nil) has been recognised, and included in cost of sales, in respect of abortive planning costs at the Bury Hill Wood site on PEDL143 following the Forestry Commission's decision not to renew the lease.

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.

15 Property, plant and equipment

Group	Development and production assets £	Equipment, fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 August 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
Additions	1,125,559	–	–	1,125,559
Disposals	(137,000)	–	–	(137,000)
At 31 July 2018	**21,074,591**	**25,774**	**103,911**	**21,204,276**
Depreciation				
At 1 August 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
Charge for the year	366,800	–	–	366,800
Impairment reversals	(648,000)	–	–	(648,000)
At 31 July 2018	**10,541,018**	**25,774**	**103,911**	**10,670,703**
Net book value				
At 31 July 2018	**10,533,573**	**–**	**–**	**10,533,573**
At 31 July 2017	9,263,814	–	–	9,263,814
At 31 July 2016	8,681,554	–	1,338	8,682,892

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 48p - 56p (2017: 39p - 44p), oil prices per barrel of US$68 - US$73 (2017: US$54 - US$70) and a discount rate of 10% (2017: 10%).

The depreciation charged, and included in cost of sales in the year, includes an impairment credit reversing an impairment of £388,000 (2017: £Nil) relating to the Ceres gas field charged in earlier periods. The impairment reversal arose as a consequence of the operator's production forecast which has resulted in a re-evaluation of the remaining recoverable reserves. Based on the impairment reviews, the pre-tax value in use of the Ceres gas field as at 31 July 2018 is estimated at £3.75 million. A further impairment reversal of £260,000 (2017: £Nil) is also included in cost of sales in the year as a partial reversal of impairment recognised on the Keddington oil field in prior years due to the improving oil price environment, the performance of the existing producing well and the identified future potential. A conservative write-back has been recognised pending the results of the next sidetrack well. Based on the impairment reviews, the pre-tax value in use of the Keddington oil field as at 31 July 2018 is estimated at £2.50 million.

During the year, the Group disposed of 20% of its licence share in Fiskerton Air Field oil field in Lincolnshire. The Group therefore holds 80% interest in this asset at year end. Additions include an additional 5% interest acquired in PEDL180 and PEDL182 for a deferred consideration of £417,000.

Notes Forming Part of the Financial Statements
continued

15 Property, plant and equipment continued

Company	Computer equipment £
Cost	
At 1 August 2016	27,168
Additions	–
At 31 July 2017	27,168
Additions	–
At 31 July 2018	27,168
Depreciation	
At 1 August 2016	25,830
Charge for the year	1,338
At 31 July 2017	27,168
Charge for the year	–
At 31 July 2018	27,168
Net book value	
At 31 July 2018	**–**
At 31 July 2017	–
At 31 July 2016	1,338

16 Investments in subsidiaries

Company	Shares in subsidiary undertakings £	Loans to subsidiary undertakings £	Total £
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
Write-off on striking off of subsidiary undertakings	(1,024,106)	–	(1,024,106)
Balance at 31 July 2018	**9,138,000**	**5,034,824**	**14,172,824**

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

* Held directly.

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 Company.

During the year, the following subsidiary companies were dissolved and the Company's investments were written-off accordingly:

Company	Country of registration or incorporation	Class of shares held	% of shares held
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

17 Trade and other receivables

	Group 2018	Group 2017	**Company 2018**	Company 2017
Amounts falling due within one year:				
Trade receivables	**621,685**	270,549	**–**	–
Amounts owed by subsidiaries	**–**	–	**20,982,201**	18,716,048
VAT recoverable	**10,558**	36,696	**3,356**	10,244
Other receivables	**63,268**	313,422	**–**	–
Prepayments and accrued income	**544,977**	935,943	**58,868**	56,118
	1,240,488	1,556,610	**21,044,425**	18,782,410

Included in Prepayments and accrued income is accrued revenue of £100,420 (2017: £688,128) which is not expected to be received within the next 12 months. It is anticipated that this amount will be recovered within 24 months of the reporting date. During the year, £222,000 (2017: £Nil) of the accrued income was written-off and charged to the Consolidated Statement of Comprehensive Income and included within 'Revenue'. A contingent consideration transaction, concluded in an earlier period, in relation to a disposal has been reversed resulting in a £250,000 transfer from other receivables to tangible assets in the current year.

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 Group's oil and gas products, balances due from joint venture partners regulated by signed operator agreements, or, for 2017 only, receipts in respect of asset sales.

As at 31 July 2018 no trade receivables were considered to be impaired (2017: £Nil). Where trade receivables relate to recharges to joint venture partners, Egdon has a right of recourse to the licence interest and assets of any defaulting party.

As at 31 July 2018 trade receivables of £349,224 (2017: £220,441) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2018	2017
Up to three months past due	**56,728**	19,669
Three to six months past due	**75,102**	59,860
Over six months past due	**217,394**	140,912
	349,224	220,441

Other receivables do not contain impaired assets.

Notes Forming Part of the Financial Statements
continued

18 Cash and cash equivalents

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Short-term bank deposits	**2,243,222**	5,352,955	**1,860,945**	5,023,166
Restricted cash at bank	**206,705**	206,412	**–**	–
Cash at bank	**321,690**	497,457	**276,920**	152,255
	2,771,617	6,056,824	**2,137,865**	5,175,421

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.

19 Trade and other payables

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade payables	**590,856**	447,621	**2,121**	66,686
Other payables	**5,891**	4,702	**–**	100
Accruals and deferred income	**553,270**	763,843	**62,959**	77,936
	1,150,017	1,216,166	**65,080**	144,722

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

20 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 and other receivables 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 £2,771,617 (2017: £6,056,824) and the Company £2,137,865 (2017: £5,175,421). The balances at 31 July 2018 are held with one bank (2017: one). Trade receivables comprise amounts due from trading entities and total £621,685 (2017: £270,549) for the Group and £Nil (2017: £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 £3,456,570 (2017: £6,640,795); Company £28,154,890 (2017: £28,926,293). The Company's exposure to credit risk largely relates to amounts owed by subsidiaries. These balances are considered recoverable by virtue of the value of the underlying licence interests in the subsidiaries, through future revenue generation from production or the disposal of the licence interests.

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 19, held at amortised cost, which total £1,150,017 (2017: £1,216,166). Of this balance, £573,017 (2017: £1,056,166) is due within one to two months. Additionally, the Group has a liability under a Net Profit Interest agreement where £2,567 (2017: £2,567) 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:

	2018 **£**	2017 £
Short-term bank deposit	**2,243,222**	5,352,955
Restricted cash at bank	**206,705**	206,412
Cash at bank	**321,690**	497,457

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

An effective interest rate increase or decrease by 1% on the cash and cash equivalents balance at year end would result in a before tax financial effect of an increase or decrease in finance income of £22,432 (2017: £53,530).

The Group had no interest-bearing liabilities in 2018 or 2017.

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 2018 was £351,775 (2017: £245,373); Company £Nil (2017: £Nil). There were no financial liabilities denominated in foreign currencies at 31 July 2018 or 31 July 2017.

A 10% change in the sterling exchange rate would result in an increase or decrease of £35,177 (2017: £24,537) in loss 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 per barrel, the NPI payment percentage is 7.5%. The provision at 31 July 2018 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 50p per therm (2017: 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 £39,848 (2017: £83,413).

Notes Forming Part of the Financial Statements
continued

21 Provisions for liabilities

Group	Other provisions £	Decommissioning provision £	Reinstatement provision £	Total £
At 1 August 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
Provision created during the year	–	46,575	2,218	48,793
Unwinding of discount	–	48,747	–	48,747
Release of provision on partial asset disposal	–	(35,911)	–	(35,911)
At 31 July 2018	**20,525**	**2,032,636**	**195,524**	**2,248,685**

Company	Other provisions £	Decommissioning provision £	Reinstatement provision £	Total £
At 1 August 2016	20,525	–	–	20,525
Paid during the year	–	–	–	–
At 31 July 2017	20,525	–	–	20,525
Paid during the year	–	–	–	–
At 31 July 2018	**20,525**	**–**	**–**	**20,525**

At 31 July 2018 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 2019 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 (2017: £2,567) is estimated to be payable within one year.

22 Share capital and redeemable preference shares

	1p Ordinary Shares		1p Deferred Shares		Total
	Allotted, called up and fully paid				
	Number	£	Number	£	£
At 31 July 2016	221,345,811	2,213,458	1,195,087,887	11,950,879	14,164,337
Shares issued in the 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
At 31 July 2018	**259,984,822**	**2,599,848**	**1,195,087,887**	**11,950,879**	**14,550,727**

Redeemable preference shares of £1 each (classed as liabilities)

	Allotted, called up and partly paid	
	Number	£
At 31 July 2017	50,000	12,500
At 31 July 2018	**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 8.30p. 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.

Notes Forming Part of the Financial Statements
continued

23 Share premium reserve
No shares were issued in the current year.

Shares were issued during the prior year as detailed in Note 22.

Share costs associated with the share transactions above of £210,055 were offset against the premium generated on issue in the prior year.

The above share issues when added to the opening reserve as at 1 August 2016 of £20,619,616 resulted in a closing share premium reserve carried forward of £25,202,194 (2017: £25,202,194).

24 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.

25 Movements in cash and cash equivalents

Group	As at 31 July 2017 £	Cash flow £	**As at 31 July 2018 £**
Cash at bank and in hand	497,457	(175,767)	**321,690**
Term deposits	5,352,955	(3,109,733)	**2,243,222**
Restricted cash at bank	206,412	293	**206,705**
Cash and cash equivalents as per Statement of Financial Position	6,056,824	(3,285,207)	**2,771,617**

Company	As at 31 July 2017 £	Cash flow £	**As at 31 July 2018 £**
Cash at bank and in hand	152,255	124,665	**276,920**
Term deposits	5,023,166	(3,162,221)	**1,860,945**
Cash and cash equivalents as per Statement of Financial Position	5,175,421	(3,037,556)	**2,137,865**

The above balances also represent cash and cash equivalents for the purposes of the Statement of Cash Flows.

26 Obligations under leases
At 31 July 2018 the Group had future minimum commitments under non-cancellable operating leases as follows:

	2018 £	2017 £
Within one year:		
– leases on operational and exploration and evaluation sites	**136,241**	138,205
– leases on land and buildings	**25,000**	25,000
Within two to five years:		
– leases on operational and exploration and evaluation sites	**503,064**	530,763
– leases on land and buildings	**23,000**	48,000
After more than five years:		
– leases on operational and exploration and evaluation sites	**564,603**	673,146
	1,251,908	1,415,114

Included within leases on operational and exploration and evaluation sites is £5,065 (2017: £25,344) which is expected to be capitalised.

27 Capital commitments – tangible assets

Capital commitments of £136,148 (2017: £136,148) relate to expenditure committed under signed authorisations for expenditure and relate to development and production assets. No other capital commitments have been made as at 31 July 2018.

28 Related party and other transactions

Mr Walter Roberts is a Non-executive Director of Egdon Resources plc and 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 2018 Pinnacle Energy Limited invoiced the Group £19,764 (2017: £19,105) for legal and consultancy services provided at commercial rates and agreed by the Directors of the Company. At the year end £9,320 was owing to Pinnacle Energy Limited (2017: £5,382).

Until 30 July 2018, Alkane Energy plc was a shareholder in Egdon Resources plc. Paul Jenkinson was a Non-executive Director of Egdon Resources plc until 11 April 2018. Paul was Chief Executive Officer and a director of Alkane Energy Plc until the same date. During the year, Egdon Resources U.K. Limited invoiced Alkane Energy Limited, a subsidiary of Alkane Energy plc, £13,500 (2017: £11,250) in respect of recharged licence fees. At the year end £Nil (2017: £Nil) was due to Egdon Resources U.K. Limited. Alkane Energy plc group companies have invoiced Egdon Resources U.K. Limited £115,198 (2017: £79,968) in respect of recharged licence fees. There were no amounts outstanding at the year end (2017: £Nil).

Additionally, fees accrued to Alkane Energy plc for Director's services as disclosed in Note 7. At the year end £Nil (2017: £1,250) had not been invoiced and was included in accruals.

Petrichor Holdings Coöperatief U.A. holds 29.99% of the Company's share capital. The Directors of Egdon Resources plc do not consider that Egdon is an associate of Petrichor Holdings Coöperatief U.A., however, Petrichor Holdings Coöperatief U.A. is a related party in accordance with the AIM Rules by virtue of this shareholding. During the year, Egdon Resources U.K. Limited invoiced Petrichor Energy UK Limited £42,451 (2017: £44,663) in respect of licence related costs. There was a balance of £12,916 outstanding at the year end (2017: £15,048).

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

	2018 **£**	2017 £
Time costs	**224,185**	191,439
Overhead recharged in accordance with Joint Operating Agreement	**56,378**	33,089
	280,563	224,528

The balances due from companies with interests in jointly controlled operations in respect of these transactions as at 31 July 2018 and 31 July 2017 are set out below:

	2018 **£**	2017 £
Due from companies with interest in jointly controlled operations	**91,722**	24,637

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:

	2018 **£**	2017 £
Invoiced to subsidiary companies	**1,203,567**	1,173,222

During the year, the Company recognised a write-off of amounts owed by subsidiary undertakings of £289,880 (2017: £Nil) as a result of the relevant subsidiaries being dissolved in the current year, as disclosed in note 16. As at 31 July 2018 the balance due to Egdon Resources plc from its subsidiary undertakings was £26,017,025 (2017: £23,750,872) as shown in Notes 16 and 17.

29 Control of the Group

There is no ultimate controlling party of Egdon Resources plc.

Letter from the Chairman with Notice of Annual General Meeting

Egdon Resources plc (The "Company")

(Incorporated and registered in England and Wales with registered number 6409716)

Directors:
Philip Stephens (Non-Executive Chairman)
Mark Abbott (Managing Director)
Jeremy Field (Executive Director)
Andrew Lodge (Non-Executive Director)
Ken Ratcliff (Non-Executive Director)
Walter Roberts (Non-Executive Director)

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

29 October 2018

Dear Shareholder,

1. Introduction

Notice of the Company's forthcoming Annual General Meeting to be held on Thursday 6 December 2018 ("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 2018 (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. Mark Abbott and Andrew Lodge are the Directors retiring by rotation this year and both of them are offering themselves for re-election. Brief biographical details of all of the Directors appear on page 24 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 29 October 2018, 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 29 October 2018, 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.

To the extent not already expired, the authorities conferred by Resolution 5 will expire at the conclusion of the next Annual General Meeting or, if earlier, on 31 January 2020.

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 29 October 2018, 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 2020.

For this purpose the recommendation contained in the Pre-emption Group's Statement of Principles which is directed at premium-listed companies on the Official List is 5% plus an additional 5% for use in connection with an acquisition or specified investment capital, although it is recognised that for companies 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 were given last year, although we did not have occasion to need it. This will continue to provide your Board with the flexibility to pursue investment opportunities without incurring the costs of a rights issue or the need to market part of the investment opportunity to third parties.

3. Recommendation

Your Directors consider the resolutions to be proposed at the AGM to be in the best interests of the Company and its shareholders as a whole. Consequently, the Directors recommend shareholders to vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings totalling 9,552,399 ordinary shares (representing 3.67% of the Company's issued share capital as at the latest practicable date before publication 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 Link 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 6 December 2018. Completion of a proxy form will not prevent you from attending the AGM in person if you so wish.

Yours sincerely,

Philip Stephens
Chairman

Letter from the Chairman with Notice of Annual General Meeting

continued

Egdon Resources plc

(Incorporated and registered in England and Wales with registered number 6409716)

Notice is hereby given that the Annual General Meeting of Egdon Resources plc (the "Company") will be held at the offices of Norton Rose Fulbright, 3 More London Riverside, London SE1 2AQ, United Kingdom on Thursday 6 December 2018 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 2018, together with the report of the auditor on those audited accounts.
2. That Nexia Smith & Williamson Audit Limited be and are hereby reappointed as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the meeting, at a remuneration to be determined by the Directors.
3. To re-elect Mark Abbott as Director who retires pursuant to article 92 of the Company's articles of association and who, being eligible, offers himself for re-election.
4. To re-elect Andrew Lodge 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. 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 2020, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for, or to convert any security into, shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for, or to convert any security into, shares (as the case may be) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolution:

6. THAT, subject to the passing of Resolution 5 above, the Directors be and they are hereby empowered pursuant to section 570 and section 573 CA 2006 to allot equity securities (within the meaning of section 560 CA 2006) for cash pursuant to the authority conferred by Resolution 5 or by way of a sale of treasury shares, as if section 561 CA 2006 did not apply to any such allotment or sale, provided that this power shall be limited:

   a. to the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, 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 or sale of treasury shares 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 2020, 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 29 October 2018

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 Link 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 Link 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 Link 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 4 December 2018 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 4 December 2018 shall be disregarded in determining the rights of any person to attend and/or vote at the Annual General Meeting.

Letter from the Chairman with Notice of Annual General Meeting
continued

8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
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.
11. Egdon Resources plc is committed to reducing paper and improving efficiency in its shareholder communications. From 2019 we will no longer be sending paper proxy cards to shareholders unless specifically asked to do so. We will provide advice on how to request a paper proxy at the appropriate time.

Directors, Officers and Advisors

Directors

Philip Stephens	– Chairman
Mark Abbott	– Managing Director
Jeremy Field	– Technical Director
Walter Roberts	– Non-executive Director and Company Secretary
Ken Ratcliff	– Non-executive Director
Andrew Lodge	– Non-executive Director

Principal and Registered Office
The Wheat House, 98 High Street, Odiham,
Hampshire, RG29 1LP

Nominated Advisor and Joint broker
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

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 6DN

Registrars
Link Asset Services, The Registry, 34 Beckenham Road,
Beckenham, Kent, BR3 4TU

Company number
06409716

Licences

Licences		Operator	Egdon Interest	Area km²
UK				
1	EXL253	Egdon Resources U.K. Limited (Deep Rights)	100.00%	3.00
2	EXL294	Egdon Resources U.K. Limited	80.00%	2.70
3	PL090 (Waddock Cross)	Egdon Resources U.K. Limited	55.00%	19.00
	PL090	Egdon Resources U.K. Limited	48.75%	183.00
4	PL161-2	Egdon Resources U.K. Limited (Deep Rights)	100.00%	18.00
5	PL161-1	Scottish Power Generation Limited	50.00%	38.00
6	PL162-1	Scottish Power Generation Limited	50.00%	114.00
7	PEDL001	Egdon Resources U.K. Limited (Deep Rights)	100.00%	11.00
8	PEDL005 (remainder)	Egdon Resources U.K. Limited	65.00%	23.50
9	PEDL011	Egdon Resources U.K. Limited (Deep Rights)	100.00%	6.00
10	PEDL037	Egdon Resources U.K. Limited (Deep Rights)	100.00%	10.00
11	PEDL039	Egdon Resources U.K. Limited (Deep Rights)	100.00%	3.00
12	PEDL043	Egdon Resources U.K. Limited (Deep Rights)	100.00%	57.00
13	PEDL068	Egdon Resources U.K. Limited	68.00%	35.20
14	PEDL070	Island Gas Limited (Star Energy Group)	28.00%	18.28
15	PEDL118	Egdon Resources U.K. Limited	55.56%	10.60
16	PEDL130	Egdon Resources U.K. Limited	100.00%	45.00
17	PEDL139	Island Gas Limited (Star Energy Group)	14.50%	100.00
18	PEDL140	Island Gas Limited (Star Energy Group)	14.50%	141.60
19	PEDL141	Seven Star Natural Gas Limited (Alkane Energy plc)	46.00%	100.00
20	PEDL143	Europa Oil and Gas Limited	18.40%	92.00
21	PEDL169	Island Gas Limited	20.00%	62.00
22	PEDL180	Egdon Resources U.K. Limited	30.00%	40.00
23	PEDL181	Europa Oil and Gas Limited	25.00%	160.00
24	PEDL182	Egdon Resources U.K. Limited	30.00%	19.00
25	PEDL191	Egdon Resources U.K. Limited (Deep Rights)	100.00%	66.00
26	PEDL201	Egdon Resources U.K. Limited	45.00%	80.00
27	PEDL202	Egdon Resources U.K. Limited (Deep Rights)	100.00%	14.20
28	PEDL203	Egdon Resources U.K. Limited	55.56%	10.50
29	PEDL209	Egdon Resources U.K. Limited	72.00%	64.00
30	PEDL241	Egdon Resources U.K. Limited	80.00%	55.00
31	PEDL253	Egdon Resources U.K. Limited	35.80%	95.00
32	PEDL258	Egdon Resources U.K. Limited	100.00%	0.50
33	PEDL259	Third Energy UK Gas Limited	49.99%	139.00
34	PEDL273	Island Gas Limited	15.00%	196.00
35	PEDL278	Island Gas Limited	50.00%	38.00
36	PEDL305	Island Gas Limited	15.00%	143.00
37	PEDL306	Egdon Resources U.K. Limited	30.00%	191.00
38	PEDL316	Island Gas Limited	15.00%	111.00
39	PEDL334	Egdon Resources U.K. Limited	60.00%	164.00
40	PEDL339	Egdon Resources U.K. Limited	65.00%	87.00
41	PEDL343	Third Energy UK Gas Limited	17.50%	110.00
42	P.1241	Centrica North Sea Limited	10.00%	43.00
43	P.1929	Egdon Resources U.K. Limited	100.00%	184.00
44	P.2304	Egdon Resources U.K. Limited	100.00%	166.00

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