EGDON RESOURCES PLC

Annual Report and Financial Statements
for the year ended 31 July 2019

Company Number 06409716

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HIGHLIGHTS

Egdon Resources plc is an independent onshore 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

OPERATIONAL AND CORPORATE HIGHLIGHTS

- Production increased by 117% to 182 barrels of oil equivalent per day ("boepd") (2018: 84 boepd)
- Production restarted from the Ceres well during October 2018 following installation of a new gas flow meter
- Completion of the drilling of Springs Road-1 encountering all three pre-drill targets with a reported hydrocarbon bearing shale sequence of over 429 metres in the Bowland Shale and significant gas indications within the Millstone Grit sequence, deeper parts of the lower Bowland Shale and the Arundian Shale
- Completion of the drilling of Biscathorpe-2, where despite the primary target being absent, a 35 metre oil column has been identified in the Dinantian Limestone and the well has been suspended for a potential future sidetrack
- A Competent Person's Report was published for Resolution indicating Mean Contingent Resources volume of 231 billion cubic feet ("bcf")
- Submission of planning appeal for the revised Wressle development following the refusal of planning consent in November 2018. North Lincolnshire Council advised in July 2019 that it would withdraw its evidence for the public inquiry following agreement of acceptable planning conditions

FINANCIAL HIGHLIGHTS

- Gross oil and gas revenues during the period increased by 81% to £2.20 million (2018: £1.21 million restated)
- Loss for the year ended 31 July 2019 of £1.72 million after write-downs, pre-licence costs and impairments of £0.45 million (2018: loss of £1.98 million after write-downs, pre-licence costs and impairments reversed of £0.40 million)
- Basic loss per share of 0.64p (2018: basic loss per share of 0.76p)
- Cash at bank £1.62 million as at 31 July 2019 (2018: £2.77 million)
- Open offer raised £2.17 million (gross of expenses) at a price of 5p per share
- Net current assets as at 31 July 2019 of £1.91 million (2018: £2.87 million)
- Net assets as at 31 July 2019 of £30.99 million (2018: £30.73 million)

SUBSEQUENT EVENTS

- On 12 September 2019, Egdon reported the results of the Springs Road-1 analysis which indicates a three-fold increase in resource density for the Bowland Shale interval compared to the previous independent assessment by ERCE in 2014
- On 2 November 2019, the UK Government announced a moratorium on high volume hydraulic fracturing for shale gas in England
- On 4 November 2019, Egdon announced it had entered into an exclusivity agreement with a large internationally recognised exploration and production company in respect of a farm-out of P1929 and P2304 (Resolution and Endeavour)
- On 7 November 2019, the Wressle Field Development Planning Inquiry was concluded. A decision is expected before end 2019

OUR STRATEGY

THE DIRECTORS HAVE IDENTIFIED THREE KEY STRATEGIC OBJECTIVES TO DRIVE SHAREHOLDER VALUE:

PRODUCTION

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

OUR STRATEGY

UK UNCONVENTIONAL RESOURCES

De-risking our substantial Northern England unconventional resource portfolio.

CONVENTIONAL RESOURCES EXPLORATION AND APPRAISAL

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

CHAIRMAN'S STATEMENT

AGAINST A BACKDROP OF CONTINUED POLITICAL UNCERTAINTY AND CHALLENGING OPERATIONAL AND MARKET CONDITIONS I AM PLEASED TO BE ABLE TO REPORT ON A YEAR OF INCREASED PRODUCTION AND OPERATIONAL ACTIVITY THAT HAS SEEN THE COMPANY MAKE PROGRESS IN SOME KEY STRATEGIC AREAS.

STRATEGY

Our strategy has three main objectives; maximising production rates, revenues and profitability from our producing assets, adding additional reserves and revenues through an active drilling programme and identifying and developing Northern England unconventional resources. It is in this final strand that the objective has changed during the period from growth to consolidation and de-risking through exploration and appraisal, with the drilling of the Springs Road-1 well being the prime example of this strategy in action.

KEY EVENTS

The first quarter of 2019 saw the drilling of Springs Road-1, a strategic well for the Company in the Gainsborough Trough, where it holds 82,000 net acres. The results from Springs Road-1 are highly positive and confirm that a significant hydrocarbon resource is present in the Gainsborough Trough. The results from this extensive modern core data set demonstrate that the Bowland Shale compares very favourably with some of the best US commercial shale plays and is potentially world class. This begins to validate Egdon's investment strategy and notwithstanding the current moratorium on fracking for shale gas, has the potential for significant growth in shareholder value.

Restoration of production from the Ceres field in October 2018, along with continued recovery of back-out gas and operated production from the Keddington and Fiskerton Airfield oil fields, has driven an 117% increase in Egdon's annual production to 182 barrels of oil equivalent per day ("boepd") (2018: 84 boepd). This growth in production has increased revenues by 81% to £2.20 million (2018: £1.21 million restated). This is despite historically weak gas prices for 2019, driven by a warm winter and record LNG imports accompanied by a subdued yet volatile oil price, both of which have adversely impacted revenues.

During 2019 the Company completed the drilling of the Biscathorpe-2 exploration well. The primary target reservoir at Biscathorpe was absent at the well location and the play concept remains untested by the well. However, in July 2019 Egdon was able to upgrade the Biscathorpe-2 well result, confirming the likely presence of a 35 metre column, of good quality oil within the Dinantian Limestone interval, which despite poor reservoir quality, is indicative of proximity to an effective petroleum system and validates the potential that exists within PEDL253. Further technical work is planned prior to deciding the next steps for the project which could include a sidetrack of the suspended Biscathorpe-2 well.

In April 2019, the Company published a Competent Person's Report ("CPR") in respect of the Resolution gas discovery confirming Mean Contingent Resources of 231 bcf in offshore licence P1929. During November 2019, Egdon entered into an exclusivity agreement with a large internationally recognised exploration and production company in respect of the P1929 and the adjacent P2304 licence. Application has been made to the Oil and Gas Authority ("OGA") to extend the P1929 and P2304 licences.

The planning inquiry for the Wressle oil field development was held post year end from 5 to 7 November 2019. As previously reported, North Lincolnshire Council ("NLC") did not present evidence at the inquiry. Egdon's legal counsel was able to present the case in an effective and robust manner and we now await the decision of the Planning Inspector which is likely to be before the end of December.

FINANCIAL AND STATUTORY INFORMATION

Revenue from oil and gas production during the year was £2.20 million (2018: £1.21 million restated).

The Group recorded a loss of £1.72 million for the year (2018: loss of £1.98 million) after impairments and write-downs of £0.45 million (2018: £0.40 million).

The Group has maintained a focus on managing cash resources and at the end of the year had net current assets of £1.91 million (2018: £2.87 million) of which £1.62 million was cash (2018: £2.77 million). Importantly, the Group remains debt free.

The Group raised £2.17 million, before costs (£0.19 million) during the period (2018: £Nil) via an underwritten open offer which completed in June 2019. The open offer was supported by a number of shareholders including our two largest, Petrichor Holdings Coöperatief U.A., ("Petrichor") and Premier Oil plc. Following the open offer Petrichor increased its shareholding in Egdon to 33.99% a level which was approved by the Takeover Panel.

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

During the year, one of the Group's joint venture partners on PEDL253 (Humber Oil and Gas Limited) defaulted on a balance due to Egdon. The payments were due under the Joint Operating Agreement ("JOA") and the farm-out agreements. The outstanding balance at the date of default was £0.78 million. Egdon (as operator and on behalf of the remaining joint venture partners) has enforced its rights under the JOA default provisions and commenced proceedings to recover the sums owed.

BOARD CHANGES

During the year, Jerry Field (Technical Director) and Andrew Lodge (Non-executive Director) retired from the board. We thank them both for their valuable insight and contribution to the Company and wish them a long, healthy and happy retirement. They were replaced by Martin Durham (Technical Director) and Tim Davies (Non-executive Director) respectively and we welcome both to the board.

POLITICAL AND REGULATORY

Energy has come into sharp focus during 2019 with the UK Committee on Climate Change ("CCC") recommending in its May 2019 report that the UK tightens its targets to achieve "net zero" emissions of CO_2 by 2050 with the Government legislating to put this target into law. A number of points relevant to our business are detailed in the CCC report;

- The need for an energy mix in the UK – we cannot rely on renewables alone
- A recognised continuing need for oil and gas in the UK
- A major role for gas to 2050 and beyond in the production of hydrogen – the preferred fuel for domestic heating and industrial use - along with Carbon Capture Utilisation and Storage ("CCUS")
- A warning against offshoring of emissions

Given the predicted sharp decline in UKCS production, the CCC report concludes that the UK would have an 86% import dependency by 2050 where UK gas demand would remain at around 70% of current use (c. 55 billion cubic metres of gas per year). The results of various studies demonstrate that UK sourced shale gas could have significantly lower emissions than imported LNG or long-distance pipelines. So, in the context of the CCC report, UK shale gas could be part of the solution to the UK moving to a "net zero" economy. The national and local benefits of UK shale gas are clearly evident, with a positive impact on the balance of payments, tax, business rates and employment gains.

Against this background, the past year has seen Cuadrilla Resources produce the first gas from a UK shale gas well at Preston New Road which along with the positive results from Springs Road-1 indicates that a significant resource is present onshore UK. However, significant challenges remain, including planning and permitting timescales and importantly managing induced seismicity.

Post year end, the Department for Business, Energy & Industrial Strategy (BEIS) set out the Government position on shale gas which was supportive:

> "Shale gas could be an important new domestic energy source reducing the level of gas imports while delivering broad economic benefits, including through the creation of well-paid, quality jobs. It could also support our transition to net zero emissions by 2050".

However, on 2 November Government announced the introduction of a moratorium on high volume hydraulic fracturing for shale gas, based on analysis by the OGA, until new evidence is provided. Each basin and site is different and the Gainsborough Trough is characterised by its simple structure and limited faulting. The OGA Report summary found that susceptibility to seismicity depends strongly on a location's specific geology with the mere presence of faulting or the parameters of the injection possibly of less importance. Egdon along with the rest of the industry is fully committed to working closely with the OGA and other regulators to demonstrate that we can operate safely and in an environmentally responsible manner, and we are confident of doing so by adopting a rigorous scientific approach and utilising an extensive UK and international analogue data set.

ASSET PORTFOLIO

Egdon held interests in 44 licences in the UK at year end with exposure to the full cycle of opportunities from exploration through to development and production. The website (www.egdon-resources.com) provides further details of all assets and operations. Egdon's key assets are discussed more fully in the Operating Review below.

At interim results, the Company advised shareholders of its plan to divest non-core assets to enable a focus on the highest potential projects and this will be a focus for the coming period.

The portfolio of conventional resource assets provides potential for growth via exploration and appraisal drilling and the Company continues to high grade the prospect inventory and progress the best opportunities. The pace of exploration drilling activity is in part dependent upon successful farm-outs as the Company carefully looks to balance financial exposure and technical risk. Dependent upon securing a further farm-out, Egdon hopes to drill the North Kelsey Prospect in the next 12 months and looks forward to the new operator of PEDL143, UK Oil & Gas PLC, progressing plans for that licence.

The Company continues to review options for additional drilling at the Keddington oil field and for restoration of production at Waddock Cross, Kirkleatham and Dukes Wood/Kirklington.

Having tripled Egdon's unconventional resources acreage in the period 2014 to 2017 to c. 186,600 net acres (755 km^2) the Company has paused from further acreage growth to concentrate on improving its technical understanding of the play and increasing acreage value and marketability. The Company holds material interests in a number of key prospective geological basins including the primary focus, the Gainsborough Trough where Springs Road-1 was drilled and has previously reported an independently assessed mean volume of undiscovered Gas Initially In Place ("GIIP") across the portfolio of 50.9 trillion cubic feet ("TCF").

OUTLOOK

Production guidance for the full financial year 2019-20 is 130-140 boepd driven largely by continued strong Ceres production despite recovery of back-out gas ceasing from Mercury (end 2019) and Neptune (mid 2020).

Egdon's key operational focus for the coming period will include:

- Subject to a positive outcome to the planning inquiry, developing the Wressle oil field
- Concluding a farm-out of the Resolution/Endeavour projects with our exclusivity partner and acquiring the marine 3D seismic survey
- Finalising the forward plan for Biscathorpe and advancing a farm-out of the North Kelsey-1 exploration well
- Subject to lifting of the moratorium, progressing the drilling and testing of the Springs Road-2 well in our core Gainsborough Trough area

Despite the challenges experienced, the fundamentals of the business are robust with the Company having a range of high potential assets in both the conventional hydrocarbon resource and nascent shale gas sectors. In the short-term we will focus on our conventional resource portfolio whilst working with the industry to demonstrate to the OGA and other regulators that we can operate safely and in an environmentally friendly manner to deliver UK gas to the market. The Company remains debt free and has a supportive shareholder register to take it forward. The coming period will see a number of key events for the Company building on the progress made during the period under review.

As always, I would like to thank our shareholders for their continued patient support and our small team of dedicated employees for their hard work and professionalism throughout the year.

Philip Stephens
Chairman
18 November 2019

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.

OPERATING REVIEW

I AM PLEASED TO PROVIDE SHAREHOLDERS WITH A MORE DETAILED REVIEW OF THE GROUP'S ASSETS, OPERATIONS AND PLANS WITH A FOCUS ON PROGRESS AGAINST STRATEGY, KEY PRIORITIES, RISKS AND POTENTIAL GROWTH DRIVERS. EGDON'S WEBSITE (WWW.EGDON-RESOURCES.COM) PROVIDES FURTHER DETAILS OF THE GROUP'S ASSETS AND OPERATIONS.

In the last Annual Report published in early November 2018, I set out the production expectation for this reporting period of 150-180 boepd and operational objectives of drilling at Biscathorpe-2, Springs Road-1 and, subject to farm-out, North Kelsey-1. In addition, the Group hoped to farm-out the marine 3D seismic survey over the Resolution and Endeavour prospects and secure planning consent to develop Wressle.

In terms of delivery against these objectives, during the last year the Group has exceeded the production target with 182 boepd and completed wells at Springs Road-1 and Biscathorpe-2. Whilst not concluded during the year, we progressed planning amendments at North Kelsey-1 and post year end have entered into an exclusivity agreement with a large internationally recognised exploration and production company in respect of Resolution/Endeavour where the Group has also published a CPR. The Group has appealed the refusal by NLC of the extensively revised planning application for Wressle and the Council subsequently withdrew its evidence ahead of the recently held public inquiry. We now expect a decision before the end of the year.

Strong gas pricing in the first half of the year contrasted with a pronounced weakening in the second half driven by a mild winter and plentiful LNG. Oil prices weakened due to continued strong production growth from US tight oil plays and fears of a US China trade war. Commodity prices also drove a weakening in the FTSE AIM Oil and Gas index over the period which was also reflected in the Group's share price.

PRODUCTION AND DEVELOPMENT ASSETS

The main driver for the Group's increased production during the period was recommencement in late October 2018 of production from the **Ceres** well (P1241, Egdon 10%) following the installation of a new flow meter. This together with continued recovery of back-out gas (gas previously produced from Ceres to the account of other fields shut-in to provide pipeline capacity as further explained in Note 2) from the Mercury and Neptune gas fields meant that total Ceres production averaged 0.89 million cubic feet of gas per day ("mmsfg/d") or 148 boepd plus 8 boepd of condensate, net to Egdon over the twelve months to 31 July 2019. The Ceres field was shut-down for maintenance between August and October 2018 and much of July 2019, meaning that the bulk of production was achieved over just 8 months. The Ceres operator, Spirit Energy has produced a revised production forecast indicating declining but continuing field production out to 2025. Back-out gas recovery will be completed from Mercury around the end of 2019 and from Neptune during 2020. As such the Group expects total Ceres production to average c.110 boepd for the 2019-20 financial year.

The combined production net to Egdon from the **Keddington** (PEDL005R: Egdon 45%) and **Fiskerton Airfield** (EXL294: Egdon 80%) oil fields during the financial year was 26 boepd. This is expected to be similar for the 2019-20 financial year. Egdon is finalising the assessment of potential infill drilling locations at Keddington with a view to targeting potential sidetrack drilling opportunities. Evaluation of reprocessed 3D seismic at Fiskerton Airfield has shown a lack of infill drilling opportunities and our focus here will be on maximising production from the existing wells. An impairment of the carrying value of Fiskerton Airfield of £408,000 has been made as a consequence of this review.

Wressle (PEDL180/PEDL182: Egdon 30%) has the potential to add 150 bopd to the Group's production. In January 2019 the Planning Inspector upheld our appeal to extend the existing planning consent for the Wressle site until 24 January 2020. The extensively revised development proposals for the Wressle oil discovery were refused planning consent in November 2018 despite a recommendation for approval from the Council's own professional planning officer who had the benefit of a positive assessment by specialist independent technical consultants appointed by NLC. We strongly believe that the revised proposals fully and comprehensively addressed the reasons for the refusal of the original planning applications and the subsequent appeals and the Group therefore appealed this latest decision in January 2019. The public inquiry in respect of the appeal against this refusal was held between 5 and 7 November 2019. Egdon was able to present its case in an effective and robust manner led by Hereward Philpott QC. NLC did not present evidence at the public inquiry having withdrawn its case in respect of this appeal following agreement of acceptable planning conditions during July 2019. We now await the decision of the Inspector which will post-date the 12 December election date due to the Government "Purdah" period. Should approval be forthcoming, Egdon will need to discharge all planning conditions prior to commencing sites works and would hope to have first oil production some 6 months after a decision. During June 2019, the OGA granted a 2 year continuation of the Second Term of PEDL180 and PEDL182 to 31 August 2021.

Egdon has interests in shut-in oil fields at **Waddock Cross, Dukes Wood/Kirklington** and **Avington** and a gas field at **Kirkleatham**. The Group is currently undertaking reservoir modelling at Waddock Cross with a view to positioning a new horizontal well based on the updated structure map of the field following reprocessing of the 3D seismic survey which was completed during 2018. IGas has advised that the proposed third-party acquisition of its interest in Avington has fallen through and a forward plan for the field is being developed. We continue to look at options for a sidetrack at Kirkleatham and for re-establishing production at Dukes Wood/Kirklington.

EXPLORATION AND APPRAISAL ASSETS

The Group has made good progress during the period in progressing exploration and appraisal in both its unconventional and conventional assets with drilling at Springs Road-1 and Biscathorpe-2 being key highlights.

Unconventional Resources

The Group's unconventional resources acreage position in Northern England is 186,600 net acres (755km² net). This significant and potentially highly valuable 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 and has previously reported an independently assessed mean volume of undiscovered GIIP of 50.9 TCF.

Our core area for unconventional resources exploration is the Gainsborough Trough of Nottinghamshire, Lincolnshire and Yorkshire where the Group holds interests in 82,000 net acres.

Importantly, during the period we have participated in the drilling of the Springs Road-1 ("SR-01") well on licence PEDL140 (Egdon 14.5%). The results from this carried well compare favourably with some of the best US commercial shale operations and highlight a potentially world class resource. Springs Road-1 was drilled as a 3,500 metre vertical, cored exploration well in the centre of the Gainsborough Trough basin. The well sought to assess three target zones: the Bowland Shale the Millstone Grit and the Arundian Shale. All three targets were encountered, with 429m of hydrocarbon bearing shales observed within the primary target, the Bowland Shale. Drilling operations showed improved rates of penetration leading to better than anticipated drilling performance and lower costs.

147 metres of core was acquired within the Bowland Shale, the first extensive core sample from this basin, which has subsequently been analysed by Stratum Reservoir (formerly Weatherford Labs) in their laboratories in both the UK and the USA. The core results indicate a mature, organic rich source rock with good porosity confirming favourable gas resource density. In particular, the low clay content is encouraging and is an indication that hydraulic fracturing of the rock should be effective. The results from core analysis are extremely positive and confirm that a significant hydrocarbon resource is present in the Gainsborough Trough with a combined Bowland Shale resource density of 640 bcf/square mile of gas in place. This is more than three times Egdon's previous external estimates of the mean resource density for the entire Bowland Shale section in PEDL139/140 as reported by ERCE in 2014.

In addition to the Upper and Lower Bowland Shales, the Millstone Grit provisional petrophysical analysis indicates these tight gas sequences have significant resource potential in Springs Road-1. Numerous possible target zones were identified across a 560m interval from 1,530-2,090m depth.

Elsewhere in Egdon's Gainsborough Trough licences, we extended the term of PEDL209 Retention Area to June 2023. Post year end, Blackland Park gave notice of its intention to exit PEDL209 which will eventually result in Egdon increasing its interest in the deep unconventional resource portion of the licence from 72% to 100% and increasing its net acreage by 4,428 acres. During the year, IGas extended the licence term of PEDL278 to July 2024.

Additionally, during the year, the Group extended the term of several licences in other parts of the East Midlands. In the Widmerpool Gulf, we extended the term of the PEDL201 Retention Area to June 2024 and partially relinquished and extended the Initial Term of PEDL306 to July 2024. In the Humber Basin we extended the Initial term of PEDL334 to July 2024 and PEDL181 was converted to 14th Round terms and passed into the Production Period.

In North West England, the Group extended the term of the PEDL191 licence – which is located immediately to the north of IGas' Ellesmere Port well - to June 2023.

In the second half of the year, Third Energy, which operates 2 of our Cleveland basin assets (PEDL259 and PEDL343 (containing the Cloughton gas discovery)) was sold to York Energy, a subsidiary of US based Alpha Energy.

In terms of the wider activity within this sector, Cuadrilla's Preston New Road shale appraisal project in the Bowland basin in Lancashire saw the fracking and testing of the PNR-1 well and the first testing of UK shale gas. Post year-end hydraulic fracturing operations commenced at PNR-2 which resulted in more significant seismicity and hydraulic fracturing operations have concluded. On 2 November 2019, the UK Government announced a moratorium on high volume hydraulic fracturing for shale gas in England which is discussed further in Priorities and Outlook below.

Conventional Resources

The Group has a significant portfolio of conventional prospects with exposure to both oil and gas. Our strategy is to farm-out exploratory drilling to manage cash and to balance financial exposure and technical risk.

During January and February 2019, Egdon drilled the **Biscathorpe-2** well (PEDL253: Egdon - 35.80%) to a total depth of 2,133 metres within the Dinantian Limestone. The well, located within the Humber Basin, and on trend with the Keddington oilfield, was targeting the potential thickening of the Basal Westphalian Sandstone away from the nearby Biscathorpe-1 well (BP 1987) which found a 1.2m thick, oil saturated section of the sandstone reservoir. During drilling, elevated gas readings were recorded from the Westphalian and below this over the total 157 metre Dinantian Limestone interval ("Dinantian") along with the presence of oil shows in both the Westphalian and Dinantian cuttings samples.

Unfortunately, the primary objective, the Basal Westphalian Sandstone which was encountered high to prognosis, was poorly developed or absent at the Biscathorpe-2 location and was not thickened with respect to Biscathorpe-1 as expected in the pre-drill model. It was therefore concluded that the Biscathorpe "play" has not been properly tested by the well and potential remains elsewhere on the prospect. As such, the well was suspended to retain the option for a potential future sidetrack which would require additional consents including planning permission.

Further detailed technical analysis of the data from Biscathorpe-2 reported in July 2019 has upgraded the well results. The results of a revised petrophysical analysis and detailed geochemical analysis of drill cutting samples undertaken by Applied Petroleum Technology (UK) Limited have confirmed the likely presence of a 35 metre column, of good quality oil, within the Dinantian interval. This, along with the elevated gas readings and oil shows over an extended interval in the well, are indicative of proximity to an effective petroleum system and validate the potential that exists within the PEDL253 licence area.

Reprocessing of 85 square kilometres of the existing 3D seismic data has been completed and further technical work is currently being finalised, prior to deciding the next steps for the project which could include a sidetrack of the suspended Biscathorpe-2 well that would target the Westphalian and Dinantian.

Elsewhere in PEDL253, Humber Oil and Gas Limited has failed to remedy a default in relation to payments due under the JOA and the farm-out agreements. The remaining joint venture partners have enforced their rights under the JOA default provisions and separately have commenced proceedings to recover the sums owed.

During the period, Lincolnshire County Council planning committee approved a number of variations to the existing planning approvals at **North Kelsey**-1 PEDL241 (Egdon - 80%). It is hoped this well can be drilled during 2020, subject to further farm-out.

An important asset for the Group is the **Resolution** gas discovery in offshore licence P1929 which along with the **Endeavour** gas discovery in adjacent licence P2304 is held 100% by Egdon. During the period, the Group published the results of a CPR by Schlumberger on the Resolution gas discovery. This work has reported a Mid-case (2C) Unrisked GIIP of 438 bcf. Mid-case (2C) Contingent Resources of 206 bcf and Mean Contingent Resources of 231 bcf. The substantial (multi-trillion cubic feet) additional gas potential in the underlying Carboniferous sandstones has not been included in this assessment.

During April 2019, a continuation of the licence was granted by the OGA to 30 November 2019 and Egdon has applied for a further continuation to April 2020. The Group has made progress with the design, permitting and tendering for a marine 3D seismic survey covering both P1929 and the northern parts of P2304. This included gaining consent for an acquisition window in September/October in addition to the March/April window. A request to continue the Initial Term of P2304 has also been submitted to the OGA.

It is not certain that our application to the OGA for an extension to P1929 and P2304 will be granted. The carrying value of the relevant assets at 31 July 2019 was £1.82 million. Should the extension not be granted it is likely that the assets would be impaired and the carrying value written off. However, at this stage, there is every indication that the extension will be granted and therefore no adjustment has been made in this regard.

Egdon has continued its efforts to introduce an industry partner to fund the planned 3D seismic over the Resolution gas discovery and post year end entered into an exclusivity agreement with an internationally recognised exploration and production company. Under the terms of the agreement exclusivity has been granted subject to entering a farm-out agreement by 19 January 2020 and completion occurring by 19 April 2020. All other third party discussions have been suspended. Although there can be no assurance of concluding an agreement, the Company see this as a validation of our strategy to licence these blocks.

P2304 contains the Endeavour gas discovery which has been tested by 3 wells 41/24-1, 2 and 3 and tested at rates of up to 34.3 million cubic feet of gas per day from the Zechstein Plattendolomit reservoir. Egdon estimates Mean Contingent Resources of 18 bcf of gas attributable to Endeavour.

Elsewhere in Northern England, Rathlin Energy made a potentially significant oil and gas discovery in rocks of the same age as Resolution at West Newton onshore.

During the period UK Oil & Gas PLC ('UKOG') has assumed operatorship of Weald Basin licence PEDL143 (Egdon 18.4%). Egdon views this as positive given UKOG's direct experience with, and technical knowledge of the Portland and Kimmeridge plays at the nearby Horse Hill discovery. The PEDL143 licence has been granted a 2 year extension to the initial term by the OGA to 30 September 2022. UKOG has reported that PEDL143 contains the significant "**A24**" Portland and Kimmeridge oil prospect, a direct geological look-alike to the UKOG's Horse Hill oil field, situated on-trend some 8km to the east. Several smaller prospects of similar size to the nearby Brockham Portland oil field have also been identified. Multiple potential new drilling sites outside the nearby Area of Outstanding Natural Beauty are under evaluation and drilling is now scheduled to follow directly after the completion of UKOG's 2019/2020 drilling programme, subject to the grant of necessary regulatory approvals.

In addition, during the year there were a number of important results from other onshore UK operations. UKOG concluded extensive testing at Horse Hill in the Portland and Kimmeridge oil reservoirs and has subsequently been granted planning consent to develop the field.

HEALTH SAFETY AND ENVIRONMENT

Egdon is committed to high standards of Health, Safety and Environmental management, protection and performance with all operational activity performed under the umbrella of the Group's HSE Management System ("HSEMS"). In line with our approach of continual improvement the HSEMS has been subject to a full review and revision to ensure it remains "fit for purpose" and the Group continues its excellent track record in relation to health, safety and environmental management.

COMMUNITY WEBSITE

The Group will shortly launch a new community facing website, www.egdon-community.com which provides a portal for information related to Egdon's operational sites.

PRIORITIES AND OUTLOOK

Production guidance for the financial year 2019-20 is 130-140 boepd driven largely by continued strong Ceres production, despite back-out gas no longer contributing from the Mercury Field from the end of 2019 together with natural decline at Keddington and increased production following workovers at Fiskerton Airfield. Should we successfully secure planning for Wressle we would expect to see this field on production in the second half of 2020. We continue to review the possibility of further sidetrack drilling at Keddington. Further activity is also under review at Avington, Waddock Cross, Kirkleatham and other fields currently shut-in for economic or operational reasons.

Our key operational focus for the coming period will include:

- Conditional upon a positive outcome to the recent planning inquiry, developing the Wressle oil field
- Concluding the farm-out of the Resolution/Endeavour projects with our exclusive partner and undertaking the acquisition of the marine 3D seismic survey
- Finalising the forward plan for Biscathorpe and advancing a farm-out of North Kelsey-1 exploration well
- Subject to lifting of the current moratorium, progressing the planning and permitting for the drilling and testing of the Springs Road-2 well

The CCC report and subsequent Net Zero legislation underline the continued future need for substantial volumes of gas in the UK. We believe that the lifecycle CO_2 emissions of gas will become of increasing importance favouring domestically produced gas over higher emission long-distance pipeline or LNG imports. Egdon is confident of being able to work with its industry peers to provide the evidence to the OGA and other regulators, to demonstrate that hydraulic fracturing for shale gas in the basins where we operate, can be undertaken in a safe and environmentally responsible manner and that therefore the current moratorium on hydraulic fracturing for shale gas exploration should be lifted. In the meantime our focus will shift to our conventional resource portfolio.

Despite the current challenges, with the quality of our assets, our planned operations, and 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
18 November 2019

OIL AND GAS RESERVES AND RESOURCE ESTIMATES

CLASS OF RESERVE/RESOURCE	PROVEN	PROVEN + PROBABLE	PROVEN + PROBABLE + POSSIBLE	UNITS	FIELD/PROSPECT NAME
Net Oil Reserves	0.29	0.53	0.81	MMbbls	Keddington, Fiskerton Airfield, Wressle, Avington, Waddock Cross phase 1, Dukes Wood/Kirklington

CLASS OF RESERVE/RESOURCE	LOW ESTIMATE	BEST ESTIMATE	HIGH ESTIMATE	UNITS	FIELD/PROSPECT NAME
Net Oil Contingent Resources	0.35	0.97	2.11	MMbbls	Wressle (Penistone), Waddock Cross
Phase 2	11.53	22.71	50.36	MMbbls	Biscathorpe, North Kelsey, Holmwood, Broadmayne, Louth, Lea and others
Net Oil Prospective Resources (conventional)	10.72	19.84	36.54	MMbbls	Biscathorpe, North Kelsey, A24, Broadmayne, Louth, Keddington South, Lea and others
Total Net Oil Prospective Resources	10.72	19.84	36.54	MMbbls	

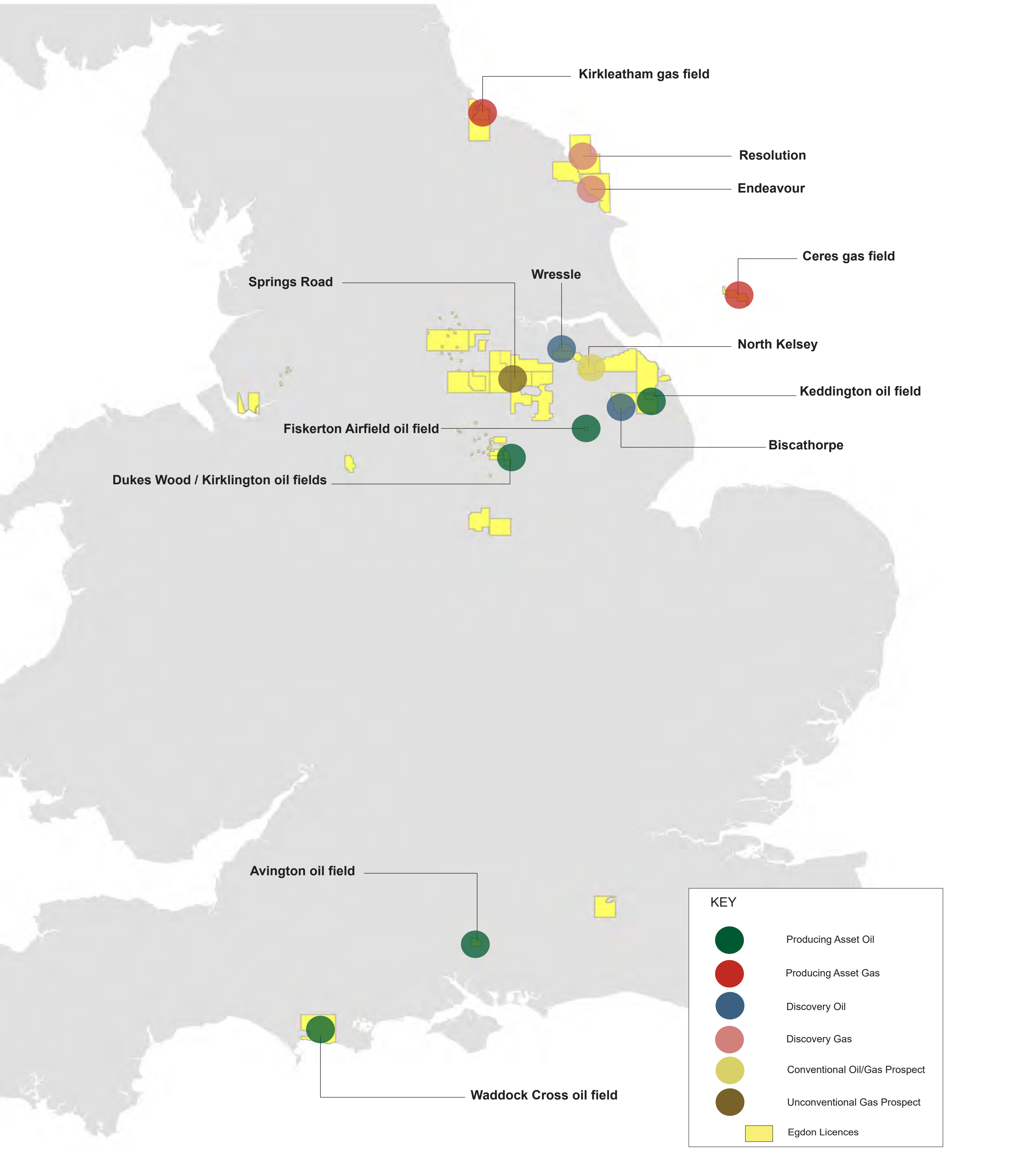
CLASS OF RESERVE/RESOURCE	PROVEN	PROVEN + PROBABLE	PROVEN + PROBABLE + POSSIBLE	UNITS	FIELD/PROSPECT NAME
Net Gas Reserves	0.83	1.24	2.27	Bcf	Ceres, Wressle, Nooks Farm

CLASS OF RESERVE/RESOURCE	LOW ESTIMATE	BEST ESTIMATE	HIGH ESTIMATE	UNITS	FIELD/PROSPECT NAME
Net Gas Contingent Resources	110.26	224.24	418.92	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	11,145.41	Bcf	
Total Contingent and Prospective Resources	231.62	676.82	1,966.04	Mmboe	

Note: all numbers are Company estimates (2019) except Resolution (Schlumberger 2019), Wressle (ERCEquipoise 2016)

UNITED KINGDOM LICENCES SUMMARY

	Licences	Operator	Egdon Interest	Area km²
1	EXL253	Egdon Resources U.K. Limited (Deep Rights)	100.000%	2.90
2	EXL294	Egdon Resources U.K. Limited	80.000%	2.70
3	PL090 (Waddock Cross)	Egdon Resources U.K. Limited	55.000%	19.00
	PL090	Egdon Resources U.K. Limited	42.500%	182.98
4	PL161-2	Egdon Resources U.K. Limited (Deep Rights)	100.000%	17.62
5	PL161-1	Scottish Power Generation Limited	50.000%	38.00
6	PL162-1	Scottish Power Generation Limited	50.000%	114.00
7	PEDL001	Egdon Resources U.K. Limited (Deep Rights)	100.000%	11.00
8	PEDL005 (Keddington)	Egdon Resources U.K. Limited	45.000%	7.00
	PEDL005 (remainder)	Egdon Resources U.K. Limited	65.000%	16.73
9	PEDL011	Egdon Resources U.K. Limited (Deep Rights)	100.000%	6.00
10	PEDL037	Egdon Resources U.K. Limited (Deep Rights)	100.000%	10.00
11	PEDL039	Egdon Resources U.K. Limited (Deep Rights)	100.000%	3.00
12	PEDL043	Egdon Resources U.K. Limited (Deep Rights)	100.000%	57.00
13	PEDL068	Egdon Resources U.K. Limited	68.000%	35.60
14	PEDL070	Island Gas Limited (IGas)	28.000%	18.43
15	PEDL118	Egdon Resources U.K. Limited	55.550%	10.54
16	PEDL130	Egdon Resources U.K. Limited	100.000%	45.03
17	PEDL139	Island Gas Limited (IGas)	14.500%	100.00
18	PEDL140	Island Gas Limited (IGas)	14.500%	141.54
19	PEDL141	Seven Star Natural Gas Limited (Infinis Limited)	46.000%	30.00
20	PEDL143	UK Oil and Gas PLC	18.400%	91.75
21	PEDL169	Island Gas Limited (IGas)	20.000%	62.00
22	PEDL180	Egdon Resources U.K. Limited	30.000%	40.00
23	PEDL181	Europa Oil and Gas Limited	25.000%	159.91
24	PEDL182	Egdon Resources U.K. Limited	30.000%	19.00
25	PEDL191	Egdon Resources U.K. Limited (Deep Rights)	100.000%	66.00
26	PEDL201	Egdon Resources U.K. Limited	45.000%	80.00
27	PEDL202	Egdon Resources U.K. Limited (Deep Rights)	100.000%	14.20
28	PEDL203	Egdon Resources U.K. Limited	55.550%	10.52
29	PEDL209	Egdon Resources U.K. Limited (Lower)	72.000%	64.11
	PEDL209	Egdon Resources U.K. Limited (Upper)	38.000%	64.11
30	PEDL241	Egdon Resources U.K. Limited	80.000%	55.00
31	PEDL253	Egdon Resources U.K. Limited	35.800%	95.00
32	PEDL258	Egdon Resources U.K. Limited	100.000%	0.47
33	PEDL259	Third Energy UK Gas Limited	50.000%	139.09
34	PEDL273	Island Gas Limited (IGas)	15.000%	194.65
35	PEDL278	Island Gas Limited (IGas)	50.000%	38.00
36	PEDL305	Island Gas Limited (IGas)	15.000%	143.00
37	PEDL306	Egdon Resources U.K. Limited	30.000%	88.50
38	PEDL316	Island Gas Limited (IGas)	15.000%	111.19
39	PEDL334	Egdon Resources U.K. Limited	60.000%	162.78
40	PEDL339	Egdon Resources U.K. Limited	65.000%	87.87
41	PEDL343	Third Energy UK Gas Limited	17.500%	110.29
42	P1241	Spirit Energy North Sea Limited	10.000%	42.79
43	P1929	Egdon Resources U.K. Limited	100.000%	201.51
44	P2304	Egdon Resources U.K. Limited	100.000%	164.70


Kirkleatham gas field
Resolution
Endeavour
Ceres gas field
Springs Road
Wressle
North Kelsey
Keddington oil field
Fiskerton Airfield oil field
Biscathorpe
Dukes Wood / Kirklington oil fields
Avington oil field
Waddock Cross oil field
KEY
Producing Asset Oil
Producing Asset Gas
Discovery Oil
Discovery Gas
Conventional Oil/Gas Prospect
Unconventional Gas Prospect
Egdon Licences

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 £1.72 million for the year (2018: £1.98 million) after write-downs, impairments and pre-licence costs amounting in total to £0.45 million (2018: £0.40 million, which included £0.65 million of impairment reversals).

Gross revenue from oil and gas production during the year was up 81% to £2.20 million (2018: £1.21 million restated). This increase is due to the restoration of production from the Ceres well and the continued recovery of back-out gas, offset by weaker commodity prices. The revenue for 2018 has been restated following the implementation of IFRS 15 as disclosed in Note 2.

Cost of sales during the year includes a release of the contract asset amounting to £299,132 (2018: £213,722), being the value of back-out gas (as defined in Note 2) delivered to the Group in the year. In the prior year an additional adjustment of £0.22 million arose, consisting of £338,000 relating to the Neptune portion of the Ceres contract asset which was no longer considered fully recoverable and the revaluation of the Ceres contract asset of £116,000.

Exploration costs written-off and pre-licence costs amounted to £46,279 (2018: £1,049,719). Additionally, following on from the normal periodic impairment review of asset values, an impairment charge of £0.41 million has been made in the financial statements (2018: impairment write-back of £0.65 million).

The increase in other cost of sales from £1,352,479 in 2018 to £2,123,023 is primarily due to higher operating costs at Ceres and Fiskerton and higher depreciation associated with increased production at Ceres.

The reduction in administrative expenses to £1,066,041 (2018: £1,093,496) is largely due to the release of an abandonment provision of £96,862 in relation to the Mairy site in France where clarification has been received during the current year that Egdon has no ongoing liability. This amount has been recorded in administrative expenses as the effect of transferring this liability from the Egdon (E&P) Limited was to increase the inter-company balance write-off through administrative expenses in the prior year. This provision release is partially offset by a reduction in amount of staff costs capitalised in exploration and evaluation assets during the year which results in an increase to the charge to the profit and loss account.

Loss per share for the period was 0.64p (2018: 0.76p).

No taxation charge arises on the result for the year. As at 31 July 2019, the Group had carry forward tax losses of £50,443,643 (2018: £46,859,692). The increase in available losses primarily reflects the trading loss and tax allowances related to intangible expenditure in the year.

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 £1.91 million (2018: £2.87 million) of which £1.62 million was cash and cash equivalents (2018: £2.77 million). The reduction in cash is a function of the normal onshore exploration activities during the year.

The movement in receivables reflects the net of the release of the Ceres contract asset (as amplified in Note 2) of £0.30 million (2018: £0.44 million), the increase in trade receivables as at July 2019 of £0.63 million which relates to the Humber trade receivable balance of £0.87 million as referred to in Note 17 and normal working capital movements commensurate with a business of this nature. Trade and other payables include deferred consideration of £417,000 (2018: £417,000) in respect of the acquisition in the prior year of the additional 5% interest in PEDL 180 and PEDL 182 and VAT payable of £197,411 (2018: £Nil).

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 revenues as have the normal effects of commodity price volatility. However, taking this into account, whilst recognising there is a weakening in the commodity price environment, in general terms the Group is satisfied with its overall performance.

In accordance with its normal business operations, the Group seeks to farm-out interests in relation to its licence interests where it believes it prudent to share risk and financial exposure. As mentioned in Note 30, Subsequent Events, following an extensive farm-out process, an exclusivity agreement has been signed with a large, internationally recognised exploration and production company in respect of licences P1929 and P2304. Despite this agreement, no assurance can be given that a commercial agreement will be concluded with that organisation nor is it certain at this stage that our application to the OGA for an extension to those licences beyond the end of November 2019 will be granted. As such no reference is made to this development within the table below and attention is drawn to this particular material uncertainty whilst negotiations continue.

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 2019	For the year ending 31 July 2018	Change %
Revenues	£2.20 million	£1.21 million (restated)	81%
Total Comprehensive Income (Net Loss)	£(1.72) million	£(1.98) million	13%
Net Current Assets (including cash)	£1.91 million	£2.87 million	-33%
Equity	£30.99 million	£30.73 million	1%
Production Volumes	66,364 boe	30,923 boe	115%
No. of Licences	44	44	0%
Best estimate Resources	676.82 mmboe	699.07 Mmboe	-3%
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 Group, 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 support of Government for indigenous gas, regulatory uncertainties in the UK in relation to unconventional plays and planning considerations continue to have an impact on the business.

On 2 November the Government announced that, based on a report by the OGA, they were imposing a moratorium on fracking operations in England. Whilst acknowledging the huge potential for UK shale gas to provide a bridge to a Zero-Carbon future, the uncertainties expressed by the OGA will need to be resolved to Government's satisfaction before such operations can resume. This decision, which is evidently outside of our control, will require careful consideration before any sensible assessment can be made upon its potential impact, if any, to the prospective carrying value of our unconventional assets. As such we draw attention to this uncertainty in Note 30, Subsequent Events.

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 operation	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/Protestor Action disrupts drilling/testing operations resulting in time and costs 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 protestor 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 well-site hydrocarbon leakage resulting in operational, environmental and financial risks	HSE management systems and standards set and monitored across the Group. Comprehensive insurance policies.
• Under-performing assets or failure in producing assets representing a financial and operational risk	Range of production forecasting in budget process. Increase number and breadth of producing assets to reduce reliance on single-site performance.

Ken Ratcliff,
Chairman of Audit Committee
18 November 2019

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 6 Directors, of whom 2 are Executive and 4 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 Tim Davies who represents a large shareholder, the Non-executive Directors are independent. The Board is conscious that some Non-executive Directors have served for a significant number of years but believes that their independently professional background qualifications and the arms' length nature of the working relationships between the Non-executive Directors and the Executive Directors 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, Philip Stephens, as Chairman recognising his 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 twenty-five 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 seventeen days per year and the Executive Directors are full-time. The Directors undertake a formal process to evaluate the functioning of the Board which is undertaken on an annual basis via an anonymous questionnaire process with any issues or recommendations reported and actions identified to address these.

The latest review was undertaken in October 2019 and concluded that the Board was functioning well. Three areas for minor improvement were identified relating to formalised recording of any potential conflicts of interest at each Board meeting, ensuring timely provision of Board documentation and highlighting any changes to the risk register at each Board meeting.

	Board	Audit Committee	Remuneration Committee
Meetings held during the year to 31 July 2019	11 [1]	4	2
Executive Directors			
Mark Abbott	10	–	–
Martin Durham[3]	6		
Jerry Field[4]	3	–	–
Non-Executive Directors			
Philip Stephens	8	4	2
Tim Davies[2]	3		
Andrew Lodge[5]	5	–	–
Ken Ratcliff	8	4	2
Walter Roberts	10	–	2

1 Three of the meetings were minimally attended in order to give formal approval to matters already approved in outline.
2 Tim Davies appointed to be a director on 12 April 2019.
3 Martin Durham appointed to be a director on 8 January 2019.
4 Jerry Field ceased to be a director on 8 January 2019.
5 Andrew Lodge ceased to be a director on 12 April 2019.

The QCA Code sets out 10 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 2019. Our strategy is focused around three key near term objectives as detailed on page 3 of the Strategic Report. 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 2019.
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, Executive Directors 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 Tim Davies.
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 2019. 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 2019 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, re classifies 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.

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. The Board comprises 2 Executive Directors and 4 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 8 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 4 times in the year to 31 July 2019. 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. During the year the Financial Reporting Council (FRC) reviewed the Annual Report & Financial Statements of the Group for the year ended 31 July 2018 requesting clarification on disclosure of certain aspects of the Group's business. Following a comprehensive reply to the enquiry letter the FRC review was closed. The Directors undertook to consider matters raised by the FRC when drafting the Annual Report and Financial Statements for the year ended 31 July 2019 and, to the extent that these matters related to balances that were material to the financial statements, based on the recommendations of the FRC, have provided additional disclosure to assist the reader of the Annual Report and Financial Statements. Specifically, additional explanations have been added to Note 2 in relation to the back-out gas and the associated contract asset and further detail regarding inputs into the impairment reviews has been included in Note 15. The Directors acknowledge that this review was based on the Annual Report and did not benefit from detailed knowledge of the business or an understanding of the underlying transactions entered into. We note that the review letter provides no assurance that the report and financial statements are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements. The FRC accepts no liability for reliance on its report by Egdon or any third party, including but not limited to investors and shareholders. 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.

QCA Code Principle	What Egdon does and why
5. Maintain the board as a well-functioning, balanced team led by the chair continued	**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 and did so twice in the year to 31 July 2019, 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 for 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.
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. The Board is aware of the gender imbalance of the current Board and will look to address this matter over time.
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	The Board carries out an evaluation of its performance annually, taking into account the Financial Reporting Council's Guidance on Board Effectiveness. 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. All continuing Directors stand for re-election at least every 3 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) Martin Durham (Technical Director) and James Elston (Director of Egdon Resources U.K. Limited) who are available to answer investor relations enquiries.


RRA 215X

BOARD OF DIRECTORS

PHILIP STEPHENS (appointed 21 October 2004)

NON-EXECUTIVE CHAIRMAN

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

MARK ABBOTT (appointed 26 August 1997)

MANAGING DIRECTOR

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.

MARTIN DURHAM (appointed January 2019)

TECHNICAL DIRECTOR

Martin graduated from the University of Wales in 1978 with a Bachelor of Science Degree in Geology and also holds a Master of Science Degree in Petroleum Geology from Imperial College, London University (1982). Martin has significant industry experience gained through companies including the Louisiana Land and Exploration Inc, LASMO Plc, Eni and Northern Petroleum Plc. During this time he has held senior technical and management roles for exploration and field development projects. Martin was a founding director of Union Jack Oil Plc a position he held until his appointment to Egdon in September 2014. Martin is a Fellow of the Geological Society of London and in 2012 he was awarded Honorary Life Membership of the Petroleum Exploration Society of Great Britain (PESGB). Martin currently holds the role of PESGB President.

JERRY FIELD (appointed 9 December 2012) (retired January 2019)

TECHNICAL DIRECTOR

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 guided the technical evaluations undertaken by the Company.

WALTER ROBERTS (appointed 30 July 2001)

NON-EXECUTIVE DIRECTOR AND COMPANY SECRETARY

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.

TIM DAVIES (appointed April 2019)

NON-EXECUTIVE DIRECTOR

Tim has extensive knowledge in respect of both the technical and commercial aspects of the oil and gas sector having helped shape Premier's North Sea exploration strategy and evolution through significant organic and inorganic growth. A qualified Non-executive Director, with over 24 years of experience in the oil and gas business as a geoscientist and manager. Tim is currently Group Exploration Manager for Premier Oil, responsible for new ventures and delivery from the captured exploration portfolio including Brazil, Mexico and the UK. At Premier, Tim has been closely involved with the Zama and Catcher discoveries. Previously he was Premier's Exploration Portfolio Manager and North West Europe Exploration Manager responsible for Norway and UK exploration during a period that saw several significant acquisitions. Prior to Premier, Tim held new venture exploration roles with Conoco and Hess.

KEN RATCLIFF (appointed 30 July 2001)

NON-EXECUTIVE DIRECTOR

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 (appointed 9 March 2012) (retired April 2019)

NON-EXECUTIVE DIRECTOR

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 provided 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 2019.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

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

A review of the business is given in the Operating Review within the Strategic Report.

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 (2018: None).

RESULTS AND DIVIDENDS

The Group recorded a loss after tax of £1.72 million for the year (2018: £1.98 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 303,315,625 Ordinary shares are issued and fully paid (2018: 259,984,822). During the year 43,330,803 shares were issued through an open offer.

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.	33.99%
Premier Oil plc	15.08%
Canaccord Genuity Group Inc.	9.92%
Hargreaves Lansdown Asset Management	5.29%
P Evershed and Clients	3.80%
Mr Mark Abbott	3.10%

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

DIRECTORS

The Directors of the Company who served in the year, and their biographical summaries, are given on pages 26–27.

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 11 employees as at 31 July 2019 (2018: 13). Employees are encouraged to directly participate in the business through a share option scheme. Details of the share option scheme are given in Note 8 to the financial statements.

FUTURE DEVELOPMENTS

Future developments are disclosed in the Operating Review set out on pages 8-12.

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.

SUBSEQUENT EVENTS

Note 30 refers to the subsequent events that the Directors consider to be relevant to the financial statements.

DISCLOSURE OF INFORMATION TO THE AUDITOR

In the case of each person who was a Director at the time this report was approved: so far as the Director was aware there was no relevant available audit information of which the Company's auditor was unaware and that Director had taken all steps that the Director ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor was aware of that information.

Mark Abbott
Managing Director
18 November 2019

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 2019 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 2019 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.

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

We draw attention to Note 2 *Going Concern* in the financial statements which indicates that, whilst the projections prepared by the Directors show that the Company will be able to continue as a going concern, actual future events may differ from the Directors' assumptions on which those projections are based.

As stated in Note 2 *Going Concern*, these events or conditions, along with other matters as set forth in Note 2 *Going Concern*, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

① 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.

Our response to the risk

We challenged the assumptions used in the impairment models described in Notes 2 (Accounting policies – judgements and estimates), 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;
- discussed with the Directors' the Resolution licences where, as described in Note 2 *Use of judgements and estimates when preparing the annual financial statements*, the licences would likely be impaired if not extended; and
- Considered the post balance sheet event described in Note 30 concerning the moratorium on hydraulic fracturing for shale gas in England and whether that is an adjusting or non-adjusting event.

EMPHASIS OF MATTER – POST BALANCE SHEET EVENT

We draw your attention to Note 30 concerning the moratorium on hydraulic fracturing for shale gas in England affecting assets of the Group which had a net book value of £15.5m at 31 July 2019. The financial statements do not include any adjustments that may be necessary should the moratorium become permanent. Our opinion is not modified in respect of this matter.

EMPHASIS OF MATTER – RESOLUTION CARRYING VALUE

We have considered the adequacy of the disclosures made in Note 2 *Use of judgements and estimates when preparing the annual financial statements*, concerning the Resolution licences.

As disclosed in Note 2, these licences will expire at the end of November 2019 if not extended by the Oil and Gas Authority ('OGA'). Should these licences be relinquished, assets with a net book value of £1.8m at 31 July 2019 would be likely to be impaired. A material uncertainty therefore exists regarding the carrying value of these assets. The financial statements do not include any adjustments that may be necessary should the licences be relinquished. Our opinion is not modified in respect of this matter.

② 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.

③ *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

In addition to the Parent Company, the Group had 2 reporting components during the year, both of which were UK limited companies. We are appointed auditor and have performed audits of the financial statements of each of these companies.

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 30, 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

18 November 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 July 2019

	NOTE	2019 £	AS RESTATED 2018 £
Revenue – continuing	3	2,196,526	1,214,552
Cost of sales:			
– exploration costs written-off and pre-licence costs		(46,279)	(1,046,691)
– write-off of French assets		–	(3,028)
– (impairments) and impairment reversals		(408,000)	648,000
– depreciation		(632,234)	(366,800)
– direct production costs		(1,242,118)	(824,250)
– other, including shut-in fields		(248,671)	(161,429)
– write-off of Ceres contract asset		–	(338,000)
– revaluation of Ceres contract asset		–	116,000
– release of Ceres contract asset		(299,132)	(213,722)
Total cost of sales		(2,876,434)	(2,189,920)
Gross loss		(679,908)	(975,368)
Administrative expenses		(1,066,041)	(1,093,496)
Other operating income		77,843	131,312
		(1,668,106)	(1,937,552)
Finance income	10	3,844	8,167
Finance costs	11	(52,663)	(48,747)
Loss before taxation	4	(1,716,925)	(1,978,132)
Taxation	12	–	–
Loss for the year		(1,716,925)	(1,978,132)
Other comprehensive income for the year		–	–
Total comprehensive income for the year attributable to equity holders of the parent		(1,716,925)	(1,978,132)
Loss for the year per share			
Basic loss per share	13	(0.64)p	(0.76)p
Diluted loss per share	13	(0.64)p	(0.76)p

The notes on pages 43 to 74 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 July 2019

Company number 06409716

	NOTE	2019 £	2018 £
Non-current assets			
Intangible assets	14	21,780,577	19,571,708
Property, plant and equipment	15	9,696,458	10,533,573
Total non-current assets		31,477,035	30,105,281
Current assets			
Inventory		–	8,011
Trade and other receivables	17	1,675,003	1,240,488
Cash and cash equivalents	18	1,617,925	2,771,617
Total current assets		3,292,928	4,020,116
Current liabilities			
Trade and other payables	19	(1,378,950)	(1,150,017)
Net current assets		1,913,978	2,870,099
Total assets less current liabilities		33,391,013	32,975,380
Non-current liabilities			
Provisions	21	(2,396,525)	(2,248,685)
Net assets		30,994,488	30,726,695
Equity			
Share capital	22	14,984,035	14,550,727
Share premium	23	26,742,656	25,202,194
Share-based payment reserve		113,537	176,696
Retained earnings		(10,845,740)	(9,202,922)
		30,994,488	30,726,695

The notes on pages 43 to 74 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 18 November 2019.

Mark Abbott
Managing Director

COMPANY STATEMENT OF FINANCIAL POSITION

at 31 July 2019

Company number 06409716

	NOTE	2019 £	2018 £
Non-current assets			
Property, plant and equipment	15	–	–
Investments	16	14,172,824	14,172,824
Total non-current assets		14,172,824	14,172,824
Current assets			
Trade and other receivables	17	23,726,845	21,044,425
Cash and cash equivalents	18	1,066,964	2,137,865
Total current assets		24,793,809	23,182,290
Current liabilities			
Trade and other payables	19	(91,312)	(65,080)
Net current assets		24,702,497	23,117,210
Total assets less current liabilities		38,875,321	37,290,034
Non-current liabilities			
Provisions	21	(20,525)	(20,525)
Net assets		38,854,796	37,269,509
Equity			
Share capital	22	14,984,035	14,550,727
Share premium	23	26,742,656	25,202,194
Merger reserve	24	2,357,816	2,357,816
Share-based payment reserve		113,537	176,696
Retained earnings		(5,343,248)	(5,017,924)
		38,854,796	37,269,509

The notes on pages 43 to 74 form part of these financial statements.

The Company has elected to take exemption under section 408 of the Companies Act 2006 from presenting the Parent Company Statement of Comprehensive Income. The Company loss for the financial year is £399,431 (2018: loss - £1,720,005).

The financial statements were approved by the Board of Directors and authorised for issue on 18 November 2019.

Mark Abbott
Managing Director

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 July 2019

	2019 £	2018 £
Cash flows from operating activities		
Loss before tax	(1,716,925)	(1,978,132)
Adjustments for:		
Depreciation and impairments/(impairment reversals) of non-current assets	1,040,234	(281,200)
Exploration costs written-off	–	1,038,000
Write-off of Ceres contract asset	–	338,000
Revaluation of Ceres contract asset	–	(116,000)
Re-instatement provision write off	(96,862)	–
Foreign exchange loss/(gain)	3,982	(22,885)
Decrease/(increase) in inventory	8,011	(8,011)
Increase in trade and other receivables	(434,515)	(155,878)
Increase/(decrease) in trade and other payables	228,933	(483,149)
Finance costs	52,663	48,747
Finance income	(3,844)	(8,167)
Share based remuneration charge	10,948	–
Cash used in operations	(907,375)	(1,628,675)
Interest paid	(39)	–
Taxation paid	–	–
Net cash flow used in operating activities	(907,414)	(1,628,675)
Cash flows from investing activities		
Finance income	3,844	8,167
Payments for exploration and evaluation assets	(2,095,824)	(1,376,689)
Purchase of property, plant and equipment	(124,086)	(447,895)
Sale of property, plant and equipment	–	137,000
Net cash used in capital expenditure and investing activities	(2,216,066)	(1,679,417)
Cash flows from financing activities		
Issue of shares	2,166,540	–
Costs associated with issue of shares	(192,770)	–
Net cash flow generated from financing	1,973,770	–
Net decrease in cash and cash equivalents	(1,149,710)	(3,308,092)
Cash and cash equivalents at beginning of year	2,771,617	6,056,824
Effects of exchange rate changes on the balance of cash held in foreign currencies	(3,982)	22,885
Cash and cash equivalents at end of year	1,617,925	2,771,617

The notes on pages 43 to 74 form part of these financial statements.

In 2019, significant non-cash transactions comprised of the recognition of the Biscathorpe-2 abandonment provision of £125,125 (2018: £Nil).

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

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 July 2019

	2019 £	2018 £
Cash flows from operating activities		
Loss before tax	(399,431)	(1,720,005)
Adjustments for:		
Write-off of investments	–	1,024,106
Increase in trade and other receivables	(2,682,420)	(2,551,895)
Write-off of inter-company receivables	–	289,880
Increase/(decrease) in trade and other payables	26,232	(79,642)
Finance costs	–	–
Finance income	(2,903)	(7,731)
Share-based remuneration charge	10,948	–
Cash used in operations	(3,047,574)	(3,045,287)
Interest paid	–	–
Net cash flow used in operating activities	(3,047,574)	(3,045,287)
Cash flows from investing activities		
Finance income	2,903	7,731
Net cash generated from capital expenditure and financial investment	2,903	7,731
Cash flows from financing activities		
Issue of shares	2,166,540	–
Costs associated with issue of shares	(192,770)	–
Net cash flow generated from financing	1,973,770	–
Net decrease in cash and cash equivalents	(1,070,901)	(3,037,556)
Cash and cash equivalents at beginning of year	2,137,865	5,175,421
Cash and cash equivalents at end of year	1,066,964	2,137,865

The notes on pages 43 to 74 form part of these financial statements.

There were no significant non-cash transactions in either year.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 July 2019

	SHARE CAPITAL £	SHARE PREMIUM £	SHARE-BASED PAYMENT RESERVE £	RETAINED EARNINGS £	TOTAL EQUITY £
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
Loss for the year	–	–	–	(1,716,925)	(1,716,925)
Total comprehensive income for the year	–	–	–	(1,716,925)	(1,716,925)
Issue of shares	433,308	1,733,232	–	–	2,166,540
Share issue costs	–	(192,770)	–	–	(192,770)
Share based payment	–	–	10,948	–	10,948
Transfer on lapse of options	–	–	(74,107)	74,107	–
Balance at 31 July 2019	14,984,035	26,742,656	113,537	(10,845,740)	30,994,488

The notes on pages 43 to 74 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 July 2019

	SHARE CAPITAL £	MERGER RESERVE £	SHARE PREMIUM £	SHARE-BASED PAYMENT RESERVE £	RETAINED EARNINGS £	TOTAL EQUITY £
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 on lapse of 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
Loss for the year	–	–	–	–	(399,431)	(399,431)
Total comprehensive income for the year	–	–	–	–	(399,431)	(399,431)
Issue of shares	433,308	–	1,733,232	–	–	2,166,540
Share issue costs	–	–	(192,770)	–	–	(192,770)
Share based payment	–	–	–	10,948	–	10,948
Transfer on lapse of options	–	–	–	(74,107)	74,107	–
Balance at 31 July 2019	14,984,035	2,357,816	26,742,656	113,537	(5,343,248)	38,854,796

The notes on pages 43 to 74 form part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 July 2019

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.

2019 has been a year of uncertainty for the oil and gas industry as a whole characterised by planning delays, weak commodity prices and ongoing regulatory reviews in relation to shale gas asset development.

During the year, the Group has suffered further delays in relation to the Wressle planning process which has impacted cash flow as has a noticeable delay in the realisation of cash from billings to joint venture partners and the significant default of a joint venture party.

Forward cash flows necessarily make assumptions as to the timing and value of cash flows from production at Wressle as well as the Group's existing producing sites and cost recharges to joint venture partners. Whilst there is currently no evidence that the timing or value of these revenues is unrealistic, the Directors acknowledge that, given historic delays both in bringing assets to production and realising amounts invoiced to joint venture partners, some level of uncertainty exists in respect of the timing of future cash flows.

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

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 2018

IFRS 9 Financial Instruments

The most significant implication of this standard for the Group is that it requires entities to use an expected credit loss model for impairment of financial assets instead of an incurred credit loss model. The Group has historically seen a low level of non-recovery of debts. In addition, the debtors are short-term in nature with typical terms of 30 days from delivery. As a result, the implementation of the expected credit loss model has had no material impact on the Group's results and no prior year balances have been restated.

The Company waived balances with subsidiaries in 2017 and 2018 on the winding up of these single asset companies. Therefore, these historic write-offs have not been taken into account in assessing the expected credit risk of the current Group balances. There has been no change to the credit risk of the remaining Group balances since initial recognition as a result of changes to the business environment of the Group and therefore no restatement of prior year balances is required.

The Group does not have any derivative financial instruments measured at fair value and therefore, the IFRS 9 amendment for hedging instruments has had no material impact on the Group's results and no prior year balances have been restated.

Financial assets that were previously classified as 'loans and receivables' are now classified as 'at amortised cost' with no significant change in their recognition and measurement.

IFRS 15 Revenue from Contracts with Customers

The Group earns its revenues from the sale of extracted oil and gas and revenue is recognised at the point at which the goods are delivered to third party facilities. Revenues do not, therefore, arise from long-term contracts. The Directors consider the sale of the extracted oil and gas to have no separate distinct goods or services and have concluded that there is only one performance obligation, being the delivery of the goods.

In 2013, revenue from the sale of gas produced from the Ceres field was not received by the Group but by the owners of other fields connected to the common pipeline system with Egdon receiving the right to future gas production from those other fields. In the 2013 financial statements, the revenue foregone by Egdon was accrued. Under IFRS 15, such revenue is not accrued; instead the right to receive future gas is recognised as a contract asset with a corresponding deduction from the costs of production. Revenue is recognised as received by the Company. The value of the right to receive future gas is based on the estimated sales value of the gas to be received.

For the year ended 31 July 2019 in order to comply with IFRS 15, the above treatment has been amended to treat the release of the contract asset as an element of cost of sales and not as a deduction from revenue, this results in an increase in revenue of £299,132 and an increase of cost of sales of £299,132 (for the year ended 31 July 2018: £435,722).This change in accounting policy had no impact on the Group's equity. The gas concerned is referred to as back-out gas.

Other than the Ceres adjustment, the standard has not resulted in any significant changes to the way the Group has historically recognised revenues in the financial statements and there has been no material impact on the Group's result.

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 is shown below. This standard will be adopted for the year ended 31 July 2020 as shown below.

- IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019).

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 not to adopt the standard early. 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.

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 2019 was £158,595 (2018: £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 2019, operating lease commitments amounted to £2,181,703, and this is not expected to be materially different to the anticipated position at 31 July 2020. 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 £2,181,703 would be recognised on 1 August 2019. For the purposes of assessing the value of lease liabilities in respect of exploration and evaluation and development and production assets, where the lease agreements contain appropriate break clauses and/or provisions for extension, it has been assumed that leases will remain in place for the life of the asset as estimated for the purposes of the asset impairment reviews. It is possible that the length of the lease may vary from this initial assessment.

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) although it is not expected that any such leases would be material to the reported position.

On the basis that the standard is only applicable for the year ended 31 July 2020, the Group has not yet completed its implementation of IFRS 16.

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 is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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 from oil and gas sales

Revenue represents amounts receivable for oil and gas sales, net of VAT and trade discounts, and is recognised on delivery to third party facilities. The revenue relates to sales of the Company's own production and the sale of any back-out gas received. The price achieved is the market price at the date of delivery. There is no right of return. Debtors arising from oil and gas sales typically have payment terms of 30 days from the date of delivery.

Other operating income

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. The price charged is based on a market rate for the services, agreed annually in advance. Debtors arising from charges to joint venture partners typically have payment terms of 30 days from the end of the month in which the services are provided.

Back-out gas contract asset

Back-out gas arises under a contractual arrangement between parties sharing capacity through the pipeline that is used to bring gas from the Ceres gas field onshore.

The contractual back-out arrangement seeks to provide compensation over the producing life of the asset to other pipeline users for capacity given up to accommodate production from Ceres by allocating a proportion of the expected monthly production to the original users. Under the agreement, the surrendered production is being recovered from the original users. However, future recoveries are not recognised in the financial statements due to the high degree of uncertainty relating to the volumes of gas expected to be recovered within the contractual time frame.

In 2013, Egdon was required to surrender its gas production to meet the back-out gas liability of a third party sharing the pipeline capacity. The financial statements include a contract asset in respect of this back-out gas. This contract asset is recorded at the best estimate of the price that is expected to be achieved when the back-out gas is recovered, with movements in the value of the contract asset being reflected in cost of sales.

Jointly controlled operations and assets
The Group's exploration and development activities are generally conducted as co-licensees in joint operation with other companies.

The financial statements reflect the relevant proportions of capital expenditure and operating revenues and costs applicable to the Group's interest.

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

Intangible assets – exploration and evaluation assets
The Group accounts for oil and gas expenditure under the full cost method of accounting.

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

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

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

As permitted by IFRS 6, on adoption of IFRS, the Group continued to apply the accounting guidance of the Statement of Recommended Practice issued by the UK Oil Industry Accounting Committee as applied under UK GAAP in respect of revenue generated from the sale of oil during the appraisal process and the treatment on disposal of any part of an E&E asset. Revenue is recorded in the Statement of Comprehensive Income. In order that no profit is recognised on the sale, an entry of the equivalent value is recorded in cost of sales with a corresponding credit to exploration and evaluation assets.

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

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

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

Impairment of intangible assets
E&E assets are reviewed annually for impairment and these are grouped with the development and production assets belonging to the same exploration area to form the Cash Generating Unit ("CGU") for impairment testing. The equivalent combined carrying value of the CGU is compared against the CGU's recoverable amount and any resulting impairment is written-off to cost of sales in the Statement of Comprehensive Income. The recoverable amount of the CGU is determined as the higher of its fair value less costs to sell and its value in use. E&E assets which are relinquished are written-down immediately in the accounting period of the relinquishment date. 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 receivables are measured on initial recognition at transaction price and are subsequently measured at amortised cost using the effective interest method less any impairment. Other receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method less any impairment. An impairment provision is established after by applying an expected credit loss model. The expected credit loss model assesses the probability of default over the lifetime of the receivable. The simplified approach is adopted as, taking historic, current and forward looking information into account, no receivables have been assessed as including a significant financial component. 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.

Taxation

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

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

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

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

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

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

Share-based payment transactions

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

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

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

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

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

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

Retirement benefit costs

The Group has a defined contribution plan which requires contributions to be made into an administered fund. The amount charged to the Statement of Comprehensive Income in respect of pension costs reflects the contributions payable in respect of the year.

Differences between contributions payable during the year and contributions actually paid are shown as either accrued liabilities or prepaid assets in the Statement of Financial Position.

Exceptional items

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

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 the recoverability of the contract asset representing the right to receive future revenue

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. This assessment involves judgement in determining the likelihood that any of the identified potential indicators of impairment might result in a material adjustment to the carrying value of the assets. Notes 14 and 15 disclose the carrying values of these assets. Following 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. The assumptions and sensitivities considered in carrying out this test are set out under *Other key sources of estimation uncertainty* below.

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 asset 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, as disclosed in Notes 16 and 17, and consideration is given to whether any provision for impairment is required. The assumptions and sensitivities applied in the assessment are therefore the same as those detailed under *Other key sources of estimation uncertainty* for exploration and evaluation costs and development and production assets below. As required by IFRS 9, the expected credit loss model is applied to balances due from Group companies. Judgement is required in assessing whether there have been any changes to the business environment in which the Group operates since initial recognition of the balances. Should any such changes occur, an assessment of the impact on the carrying value of the Group balances 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. The Best Estimate of Proven and Probable Reserves are derived from Monte Carlo simulations generated from geological models of the relevant resources. By their nature these models are only able to be validated once the relevant field is developed and is on production. The production profiles are based on existing and planned facilities; the production profiles are subject to revision based on current production and other data, and if any planned expenditure is deferred. Revisions to the best estimate of Proven and Probable Reserves resulted in the recognition (2018: Reversal) of impairments as disclosed in Note 15. Oil and gas prices are subject to fluctuation dependant on market conditions. As a generality, a change in commodity prices or expected recoverable reserves would have a corresponding change on the expected cash flows attributable to the relevant asset. Should the production profile extend, the relevant assets would be on production for longer and therefore operating costs would be incurred over a longer period. As such costs are largely independent of production volumes there would be a reduction in cash flows; discounting would also further reduce the present value of the cash flows.

The timing of expected cash flows may be impacted by planning delays and political uncertainty. Delays may lead to increased costs resulting in a reduction to the present value of cash flows. The likelihood of such delays occurring has been taken into account in preparing forward cost estimates and production forecasts.

Management considers the likelihood that the OGA will renew licences expiring in future periods when assessing future expected cashflows. Where there is no expectation that a licence will not be renewed no adjustment is made to the future expected cash flow.

In the current year, Egdon has applied to the OGA for extensions to licences P1929 and P2304. It is not certain that these extensions will be granted. The carrying value of the assets at 31 July 2019 was £1.82 million. Should the extension not be granted it is likely that the assets would be impaired and the carrying value written off. At this stage, there is every indication that the extension will be granted and therefore no adjustment has been made in this regard.

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. As disclosed in Note 15 in 2018 contingent consideration was derecognised as the conditions for recognition were no longer satisfied in 2019 and 2018. Trade and other payables include a liability of £417,000 in respect of deferred consideration arising on the acquisition of an additional 5% interest in PEDL180 and PEDL182.

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. The carrying value of provisions for decommissioning and reinstatement is given in Note 21.

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.

Contract asset relating to the right to receive gas

The financial statements include a contract asset in respect of the right to receive back-out gas relating to the Ceres field recoverable from future production from neighbouring fields. In determining the likely value of the asset, the Directors have considered estimates of future production volumes provided by the operators of these neighbouring fields and the anticipated future commodity price. The carrying amount of this asset at 31 July 2019 is £99,704 (2018: £398,816).

3 SEGMENTAL INFORMATION

For management purposes, the Group has operated in two geographical markets: UK and historically France. With effect from 31 July 2018 the Group ceased all activity in France. No activity occurred in France in the 2019 financial year other than the release of an abandonment provision no longer required in respect of the Mairy provision. In 2018, a profit and loss credit of £28,544 arose in relation to the closure of the French operations.

No information relating to the Group's operating segments has been presented for the year ended 31 July 2019 or the year ended 31 July 2018 due to the immaterial nature of the amounts associated with the French operations in both years.

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, 59% (2018: 52%) 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 2019 and 2018, 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. These changes had no impact on the amount recognised as revenue in either year.

Oil and gas prices are affected by different economic factors. Revenue from contracts with customers has therefore been disaggregated as follows:

	2019	2018
Revenue from gas sales	1,697,117	767,453
Revenue from oil sales	499,409	447,099
	2,196,526	1,214,552

4 LOSS BEFORE TAXATION

	2019 £	2018 £ AS RESTATED
The loss for the year before taxation is stated after charging/(crediting):		
Auditor's remuneration (see Note 5)	54,550	55,079
Depreciation	632,234	366,800
Impairments/(impairment reversals)	408,000	(648,000)
Write-off of Ceres contract asset	–	338,000
Revaluation of Ceres contract asset (included in cost of sales)	–	(116,000)
Exploration and appraisal costs written-off	(2,490)	1,041,028
Pre-licence costs expensed	48,769	8,691
Foreign exchange loss/(gain)	3,982	(22,885)
Share based payment	10,948	–
Operating lease rentals:		
– land and buildings (in administrative expenses)	25,000	25,000
– leases on operational sites (in costs of sales)	133,595	67,879

In the prior year financial statements the amount relating to the write-off of the contract asset and the revaluation of the contract asset were netted off to give a single net write-off figure. In addition, the write-off was shown as an adjustment to revenue rather than cost of sales. The effect of reclassifying these figures on adoption of IFRS 15 has no impact on the reported loss of the Company or the financial position.

5 AUDITOR'S REMUNERATION

	2019 £	2018 £
Audit services:		
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	16,320	15,860
Other services:		
The auditing of financial statements of subsidiaries of the Company	32,130	34,890
All other services	6,100	4,329
Total audit and other services	54,550	55,079

6 EMPLOYEE INFORMATION

	2019 £	2018 £
Employee costs for the Group and Company during the year amounted to:		
Wages and salaries	838,079	883,636
Social security costs	104,054	108,094
Pension costs	75,853	94,780
	1,017,986	1,086,510

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

	2019 NUMBER	2018 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.

	2019 £	2018 £
Group and Company		
Directors' emoluments	413,767	393,600
Medical cover	4,240	2,203
Employer's national insurance contributions	66,081	46,036
Short-term employment benefits	484,088	441,839
Post-employment benefits	55,827	71,346
Share based payment attributable to Directors	5,238	–
	545,153	513,185

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2019 CONTINUED

The emoluments and compensation of individual Directors were as follows:

	SALARY AND FEES £	BONUS £	MEDICAL £	PENSION (NOTE 9) £	TOTAL 2019 £	TOTAL 2018 £
M Abbott	177,500	–	2,541	25,945	205,986	204,343
P Stephens	45,000	–	–	–	45,000	45,000
K Ratcliff	30,000	–	–	–	30,000	30,000
W Roberts	9,600	–	–	23,215	32,815	32,856
J Field (resigned 8 January 2019)	45,834	–	–	2,292	48,126	124,950
A Lodge (resigned 12 April 2019)	13,333	–	–	–	13,333	20,000
P Jenkinson (resigned 11 April 2018)	–	–	–	–	–	10,000
M Durham (appointed 8 January 2019)	87,500	–	1,699	4,375	93,574	–
T Davies (appointed 12 April 2019)	5,000	–	–	–	5,000	–
	413,767	–	4,240	55,827	473,834	467,149

The emoluments of the highest paid Director excluding pension contributions were £180,041 (2018: £162,203). Pension contributions include contributions made under a salary sacrifice arrangement totalling £17,070 (2018: £34,140).

Life policy and critical illness premiums of £5,378 (2018: £5,378) were paid in respect of the Managing Director and Directors' indemnity insurance premiums of £11,307 (2018: £11,588) were paid in respect of all Directors.

Fees of £Nil (2018: £10,000) are payable to Alkane Energy plc in respect of Director's services provided by Paul Jenkinson (resigned 11 April 2018). Of these fees, £Nil (2018: £Nil) was outstanding at the year end.

Directors' share options outstanding at 31 July 2019 and at 31 July 2018:

	EXERCISE PRICE (P)	NUMBER OF OPTIONS	DATE GRANTED	VESTING DATE
Options awarded in the current year				
M Abbott	7.85	1,210,191	24/01/2019	01/01/2020
M Durham **	7.85	955,414	24/01/2019	01/01/2020
Options awarded in prior years and still extant as at 31 July 2019				
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
M Durham **	22.75	659,341	18/08/2014	01/08/2016
M Durham **	9.70	773,196	16/11/2015	01/08/2016
Options extant as at 31 July 2018, but lapsing or forfeited in the current year				
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.

* J Field's options lapsed on his retirement as a director on 8 January 2019.
** M Durham was appointed as a director on 8 January 2019.

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	PRICE	VESTING DATE
Options awarded in the current year					
Granted on 24 January 2019	4,526,561	24/01/2019	01/01/2030	7.85p	01/01/2020
Options awarded in prior years and still extant as at 31 July 2019					
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 27 March 2017	300,000	27/03/2017	28/02/2027	10.00p	27/03/2017
Options extant as at 31 July 2018, but lapsing or forfeited in the current year					
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

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 lapsed during the current year.
** J Field's options lapsed on his retirement as a director on 8 January 2019.

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 options granted in the current year.

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.

	24/01/2019
Grant date share price (pence)	7.85
Exercise price (pence)	7.85
Expected volatility (%)	5.13
Option life (years)	11
Risk free interest rate (%)	0.21

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

	2019 NUMBER	2019 WAEP (PENCE)	2018 NUMBER	2018 WAEP (PENCE)
Opening balance	9,881,810	13.21	11,144,146	13.54
Granted during the year	4,526,561	7.85	–	–
Lapsed during the year	(3,224,888)	12.40	(1,262,336)	16.17
Exercised during the year	–	–	–	–
Outstanding at 31 July 2019	11,183,483	11.27	9,881,810	13.21

The weighted average remaining contractual life of share options outstanding as at 31 July 2019 is 7.79 years (2018: 6.19 years). At 31 July 2019, 6,656,921 (2018: 9,881,810) of the total number of share options outstanding could be exercised and these options had a weighted average exercise price of 13.60 pence (2018: 13.21 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 £35,568 (2018: £37,384) 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

	2019 £	2018 £
Interest receivable on short-term deposits	3,844	8,167

11 FINANCE COSTS

	2019 £	2018 £
Unwinding of decommissioning discount	52,624	48,747
Other finance charges	39	–
	52,663	48,747

12 INCOME TAX

The major components of income tax expense for the years ended 31 July 2019 and 2018 are:

	2019 £	2018 £
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 2019 and 2018 is as follows:		
Accounting loss before tax from continuing operations	(1,716,925)	(1,978,132)
Loss on ordinary activities multiplied by the standard rate of tax of 19.00% (2018: 19.00%)	(326,216)	(375,845)
Expenses not permitted for tax purposes	9,947	6,738
Movement in unrecognised deferred tax assets	316,269	369,107
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 £50,443,643 (2018: £46,859,692) which may reduce future tax charges. Future tax charges may also be reduced by capital allowances on cumulative capital expenditure, supplementary allowance on ring-fenced exploration expenditure and the extent to which any profits are outside ring-fenced activities.

d) Deferred taxation

The Group has an unrecognised deferred taxation asset of £7,767,286 (2018: £6,898,535) at the year end, calculated at a rate of 30% (2018: 30%) 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 2019 is based on the rate applicable to ring-fenced activities as for 2018. This is represented by accumulated tax losses of £50,443,643 (2018: £46,859,692) and short-term timing differences in respect of provisions of £2,376,000 (2018: £2,228,160) offset by accelerated capital allowances of £26,928,690 (2018: £26,092,735).

13 LOSS PER SHARE

Basic loss per share	2019 £	2018 £
Loss for the financial year	(1,716,925)	(1,978,132)
Basic weighted average Ordinary shares in issue during the year	266,870,265	259,984,822
	Pence	Pence
Basic loss per share	(0.64)	(0.76)
Diluted loss per share	2019 £	2018 £
Loss for the financial year	(1,716,925)	(1,978,132)
Diluted weighted average Ordinary shares in issue during the year	266,870,265	259,984,822
	Pence	Pence
Diluted loss per share	(0.64)	(0.76)

The share options are not dilutive in 2019 or 2018 as a loss was incurred.

14 INTANGIBLE FIXED ASSETS

Group	EXPLORATION AND EVALUATION COSTS £	OTHER INTANGIBLES £	TOTAL £
At 1 August 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
Additions	2,220,949	–	2,220,949
Transfers to property, plant and equipment	(12,080)	–	(12,080)
At 31 July 2019	21,650,618	129,959	21,780,577
Net book value			
At 31 July 2019	21,650,618	129,959	21,780,577
At 31 July 2018	19,441,749	129,959	19,571,708
At 31 July 2017	19,104,442	126,359	19,230,801

Exploration and evaluation costs

Exploration and evaluation costs represent the Group's unevaluated oil and gas interests at 31 July 2019. These 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.

A formal impairment review has been carried out and the Directors have considered and reviewed the potential value of all projects and licences. The Directors have also considered the likely opportunities for realising the value of licences, either by development of discovered hydrocarbons, the farm-out of the asset leading to a development or by the disposal of the assets, and have concluded that, the likely value of each exploration area is individually in excess of its carrying amount.

The underlying assumption relating to the exploration and evaluation assets is that commercial reserves will be discovered, with the quantities being estimated using Monte Carlo simulation techniques, which reflect exploration risks. Based on this assumption and the key estimates, the excess of the aggregate net present value of the expected future cash flows is substantially in excess of the aggregate book value of the assets. Therefore, any reasonably possible changes to the key estimates would have no impact on the carrying value of the assets. However, should future exploration results indicate that commercial reserves do not or are unlikely to exist within any one prospect, the carrying value of that prospect would be expected to be written-off.

The Directors have considered the potential impact of the moratorium on hydraulic fracturing for shale gas. As at the date of this report, the Directors do not consider that it is possible to conclude with any certainty that the Group's oil and gas assets are impaired and no adjustment has been made in this regard.

Exploration written-off – prior period - £1,038,000

During the prior 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 was 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 was 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

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 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
Additions	181,894	9,145	–	191,039
Transfers from intangible assets	12,080	–	–	12,080
At 31 July 2019	21,268,565	34,919	103,911	21,407,395
Depreciation				
At 1 August 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
Charge for the year	629,694	2,540	–	632,234
Impairments	408,000	–	–	408,000
At 31 July 2019	11,578,712	28,314	103,911	11,710,937
Net book value				
At 31 July 2019	9,689,853	6,605	–	9,696,458
At 31 July 2018	10,533,573	–	–	10,533,573
At 31 July 2017	9,263,814	–	–	9,263,814

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 50p (2018: 48p - 56p), or oil prices per barrel of US$65 (2018: US$68 - US$73) and a discount rate of 10% (2018: 10%). Commodity price forecasts are taken from published information and established as at the effective date of the impairment. The gas and oil prices used reflect an assessment of the forward curve in July 2019 based on a range of the current views of London based investment banks and an average is used to reflect the prevailing range of forecasts. The price is based on the National Balancing Point (NBP) price for gas and the Brent price for oil.

In determining an appropriate discount rate, the Directors have considered the time value of money and the cost of capital specific to the asset being assessed. Despite the historically low interest rates and low inflation rates currently being experienced and anticipated going forward, the discount rate has been set at a value of 10% to reflect the anticipated costs of capital. As explained in the accounting policies, Monte Carlo simulation is used for determining production profiles and therefore the production profiles reflect the inherent risks associated with the production assets.

The excess of the aggregate net present value of the expected future cash flows over the aggregate book value of the assets is circa £4.3 million. The Directors do not consider that any reasonably possible changes to the key estimates would require a material impairment provision; however, certain assets have limited headroom and therefore immaterial impairment charges may arise on individual assets.

All impairment charges and reversals are recognised as a component of cost of sales within the Statement of Comprehensive Income.

Current year

The impairment charge of £408,000 relates to the Fiskerton Airfield Oil Field. The impairment arises following seismic data reprocessing which resulted in a reduction to the forward production profile and reserves for the field. Based on the impairment reviews, the pre-tax value in use of the Fiskerton Airfield Oil Field at 31 July 2019 is estimated at £0.22 million and that is now the book value of the asset. Any reduction in the net present value of future cash flow forecasts resulting from changes in key estimates would be expected to result in a further impairment charge.

Prior year

Of the £648,000 impairment credit, £388,000 related to the Ceres gas field. The impairment reversal arose as a consequence of the operator's production forecast which 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 was estimated at £3.75 million. A further impairment reversal of £260,000 arose relating to the 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 was estimated at £2.5 million.

During the prior year, the Group disposed of 20% of its licence share in Fiskerton Airfield oil field in Lincolnshire (EXL 294). Additions in the prior year included an additional 5% interest acquired in PEDL180 and PEDL182 for a deferred consideration of £417,000.

Prior year additions to development and production assets also included the release of a receivable for contingent consideration as the conditions for recognition were no longer satisfied. On initial recognition the contingent consideration receivable was offset against the carrying value of the asset which at the time was included within intangible fixed assets.

Company	COMPUTER EQUIPMENT £
Cost	
At 1 August 2017	27,168
Additions	–
At 31 July 2018	27,168
Additions	–
At 31 July 2019	27,168
Depreciation	
At 1 August 2017	27,168
Charge for the year	–
At 31 July 2018	27,168
Charge for the year	–
At 31 July 2019	27,168
Net book value	
At 31 July 2019	–
At 31 July 2018	–
At 31 July 2017	–

16 INVESTMENTS IN SUBSIDIARIES

Company	SHARES IN SUBSIDIARY UNDERTAKINGS £	LOANS TO SUBSIDIARY UNDERTAKINGS £	TOTAL £
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
Balance at 31 July 2019	**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.

17 TRADE AND OTHER RECEIVABLES

	GROUP 2019 £	GROUP 2018 £	COMPANY 2019 £	COMPANY 2018 £
Amounts falling due within one year:				
Trade receivables – balances due from customer contracts	74,856	46,788	–	–
Trade receivables – balances due from joint venture partners	1,172,272	574,897	–	–
Amounts owed by subsidiaries	–	–	23,638,822	20,982,201
VAT recoverable	–	10,558	24,503	3,356
Other receivables	75,285	63,268	–	–
Prepayments	252,886	146,161	63,520	58,868
Ceres contract asset	99,704	398,816	–	–
	1,675,003	1,240,488	23,726,845	21,044,425

The contract asset includes revenue of £Nil (2018: £100,420) which is not expected to be received within the next 12 months.

During the year, £Nil (2018: £222,000) of the accrued income was written-off and charged to the Consolidated Statement of Comprehensive Income and included within 'Cost of Sales'. This write off in the prior year consists of two separate components as disclosed in Note 4.

In the prior year, a contingent consideration transaction, concluded in an earlier period, in relation to a disposal was reversed resulting in a £250,000 transfer from other receivables to tangible assets.

During the year, one of the Group's joint venture partners on PEDL253 (Humber Oil and Gas Limited), defaulted on a balance due to Egdon. The payments were due under the JOA and the Farm-out Agreements. The outstanding balance at the date of default was £0.78million. This amount is shown in the table below as over six months past due.

Egdon (as Operator and on behalf of the remaining joint venture partners) have enforced their rights under the JOA default provisions and commenced proceedings to recover the sums owed.

Under the terms of the JOA, the defaulting party can be removed from the licence and that party's share of the asset redistributed amongst the remaining joint venture parties. Humber remain liable for the outstanding debt but in the interim the remaining joint venture parties have assumed responsibility for the payment of invoices, and Egdon's pro-rata share of the outstanding Humber JOA default amounts to £327,200.

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

Considerations relating to the credit risk of the Group and Company's trade and other receivables are detailed in Note 20.

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.

Amounts owed to the Company from subsidiaries are due at call but are not expected to be called in the year ahead.

As at 31 July 2019 no trade receivables were considered to be impaired (2018: £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 2019 trade receivables of £1,073,129 (2018: £349,224) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2019 £	2018 £
Up to three months past due	11,075	56,728
Three to six months past due	186,813	75,102
Over six months past due	875,241	217,394
	1,073,129	349,224

The above past due balances include £0.86 million due from Humber Oil & Gas Limited. Of the remaining balance, 50% has been received prior to the date of this report. It is expected that the remaining balances will have been cleared by 31 July 2020.

Other receivables do not contain impaired assets.

18 CASH AND CASH EQUIVALENTS

	GROUP 2019 £	GROUP 2018 £	COMPANY 2019 £	COMPANY 2018 £
Short-term bank deposits	146,244	2,243,222	109	1,860,945
Restricted cash at bank	207,647	206,705	–	–
Cash at bank	1,264,034	321,690	1,066,855	276,920
	1,617,925	2,771,617	1,066,964	2,137,865

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 2019 £	GROUP 2018 £	COMPANY 2019 £	COMPANY 2018 £
Trade payables	758,202	590,856	31,979	2,121
VAT payable	197,411	–	–	–
Other payables	6,154	5,891	–	–
Accruals and deferred income	417,183	553,270	59,333	62,959
	1,378,950	1,150,017	91,312	65,080

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. All financial assets (£3,026,724, 2018: £3,842,118) and liabilities (£1,181,539, 2018: £1,150,017) are recorded at amortised cost. 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 £1,617,925 (2018: £2,771,617) and the Company £1,066,964 (2018: £2,137,865). The balances at 31 July 2019 are held with one bank (2018: one). Trade receivables comprise amounts due from trading entities and total £1,247,128 (2018: £621,685) for the Group and £Nil (2018: £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 £3,026,724 (2018: £3,842,118); Company £29,740,610 (2018: £28,154,890). In considering the credit risk of its financial assets , the Group separates its financial assets into the following categories:

- Balances due in respect of contracts with customers
- Balances due in respect of amounts due from joint venture parties
- Balances held at banks with a high credit rating
- Balances due from Group companies (for the Company)

The credit risk associated with all of the above categories is considered to be low.

In respect of balances due from joint venture parties, the Group has noted an increase in the risk of joint venture partner default through its own trading experience and that of other companies with similar business models. However, the provisions of the various joint venture agreements which govern the Group's operations specify that the Group had alternative means of recourse in the event of such default and it is, therefore, considered that the risk of the Group suffering a material credit loss remains low.

The Group has experienced no historic losses in respect of either balances due from contracts with customers or cash balances held with UK banks. The Directors do not consider that there has been any change to the credit risk since initial recognition of these financial instruments as a result of changes to the business environment of the Group.

No provision for expected credit losses has been recognised as the Group's past experience shows that any loss to the Group on default, regardless of number of days past due, would not be material to the results of the Group.

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. Balances with subsidiaries waived in 2017 and 2018 arose on the winding up of single asset companies and therefore these historic write-offs have not been taken into account in assessing the expected credit risk of the current Group balances.

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 £1,181,539 (2018: £1,150,017). Of this balance, £604,539 (2018: £573,017) is due within one to two months. Additionally, the Group has a liability under a Net Profit Interest agreement where £2,567 (2018: £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, as shown in Note 18.

Short-term bank deposits include money market deposits which earn interest at rates set in advance for periods of 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 £3,539 (2018: £24,499).

The Group had no interest-bearing liabilities in 2019 or 2018.

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 2019 was £137,668 (2018: £377,034); Company £Nil (2018: £Nil). There were no financial liabilities denominated in foreign currencies at 31 July 2019 or 31 July 2018.

A 10% change in the sterling exchange rate would result in an increase or decrease of £13,767 (2018: £37,703) 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 2019 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.

The contract asset accrued in respect of production from the Ceres field has been recognised at a price of 50p per therm (2018: 50p) 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 £9,970 (2018: £39,881).

21 PROVISIONS FOR LIABILITIES

Group	OTHER PROVISIONS	DECOMMIS-SIONING PROVISION £	REINSTATEMENT PROVISION £	TOTAL £
At 1 August 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
Provision created during the year	–	66,953	125,125	192,078
Unwinding of discount	–	52,624	–	52,624
Release of provision on partial asset disposal	–	–	(96,862)	(96,862)
At 31 July 2019	20,525	2,152,213	223,787	2,396,525

Company	OTHER PROVISIONS	DECOMMIS-SIONING PROVISION £	REINSTATEMENT PROVISION £	TOTAL £
At 1 August 2017	20,525	–	–	20,525
Paid during the year	–	–	–	–
At 31 July 2018	20,525	–	–	20,525
Paid during the year	–	–	–	–
At 31 July 2019	20,525	–	–	20,525

At 31 July 2019 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 2020 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 (2018: £2,567) is estimated to be payable within one year.

22 SHARE CAPITAL AND REDEEMABLE PREFERENCE SHARES

	1P ORDINARY SHARES		1P DEFERRED SHARES		
	ALLOTTED, CALLED UP AND FULLY PAID				
	NUMBER	£	NUMBER	£	TOTAL £
At 31 July 2017 and 31 July 2018	259,984,822	2,599,848	1,195,087,887	11,950,879	14,550,727
Shares issued in the year	43,330,803	433,308	–	–	433,308
At 31 July 2019	303,315,625	3,033,156	1,195,087,887	11,950,879	14,984,035

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

	ALLOTTED, CALLED UP AND PARTLY PAID	
	NUMBER	£
At 31 July 2018	50,000	12,500
At 31 July 2019	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 6 June 2019, following an open offer, the Company issued 43,330,803 New Ordinary 1p shares for total cash consideration of £2,166,540. The nominal value of the shares was £433,308 and the additional share premium created totalled £1,733,232.

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.

23 SHARE PREMIUM RESERVE

Shares issued during the year are detailed in Note 22.

Share costs associated with the share transactions above of £192,770 (2018:£Nil) were offset against the premium generated on issue.

The above share issues when added to the opening reserve as at 1 August 2018 of £25,202,194 resulted in a closing share premium reserve carried forward of £26,742,656 (2018: £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 2018 £	CASH FLOW £	EXCHANGE RATE MOVEMENTS £	AS AT 31 JULY 2019 £
Cash at bank	321,690	942,344	–	1,264,034
Short-term bank deposits	2,243,222	(2,092,996)	(3,982)	146,244
Restricted cash at bank	206,705	942	–	207,647
Cash and cash equivalents as per Statement of Financial Position	2,771,617	(1,149,710)	(3,982)	1,617,925

Company	AS AT 31 JULY 2018 £	CASH FLOW £	AS AT 31 JULY 2019 £
Cash at bank	276,920	789,935	1,066,855
Short-term bank deposits	1,860,945	(1,860,836)	109
Cash and cash equivalents as per Statement of Financial Position	2,137,865	(1,070,901)	1,066,964

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 2019 the Group had future minimum commitments under non-cancellable operating leases as follows:

	2019 £	2018 £
Within one year:		
– leases on operational and exploration and evaluation sites	218,587	136,241
– leases on land and buildings	22,917	25,000
Within two to five years:		
– leases on operational and exploration and evaluation sites	809,096	503,064
– leases on land and buildings	–	23,000
After more than five years:		
– leases on operational and exploration and evaluation sites	1,131,103	564,603
	2,181,703	1,251,908

Included within leases on operational and exploration and evaluation sites is £560,770 (2018: £5,065) which is expected to be capitalised.

For the purposes of assessing the length of a lease in respect of exploration and evaluation and development and production assets, where the lease agreements contain appropriate break clauses and/or provisions for extension, it has been assumed that the leases will remain in place for the life of the asset as estimated for the purposes of the associated asset impairment reviews.

27 CAPITAL COMMITMENTS

Capital commitments of £44,992 (2018: £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 2019.

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 2019 Pinnacle Energy Limited invoiced the Group £6,300 (2018: £19,764) for legal and consultancy services provided at commercial rates and agreed by the Directors of the Company. At the year end £2,074 was owing to Pinnacle Energy Limited (2018: £9,320).

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, £Nil (2018: £13,500) in respect of recharged licence fees. At the year end £Nil (2018: £Nil) was due to Egdon Resources U.K. Limited. In the prior year Alkane Energy plc group companies invoiced Egdon Resources U.K. Limited £115,198 in respect of recharged licence fees. There were no amounts outstanding at the prior year end.

Petrichor Holdings Coöperatief U.A. holds 33.99% 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 £5,963 (2018: £42,451) in respect of licence related costs. There was a balance of £2,870 outstanding at the year end (2018: £12,916).

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

	2019 £	2018 £
Time costs	185,122	224,185
Overhead recharged in accordance with Joint Operating Agreement	50,200	56,378
	235,322	280,563

The balances due from companies with interests in jointly controlled operations in respect of these transactions as at 31 July 2019 and 31 July 2018 are set out below:

	2019 £	2018 £
Due from companies with interest in jointly controlled operations	30,953	91,722

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:

	2019 £	2018 £
Invoiced to subsidiary companies	1,090,011	1,203,567

During the year, the Company recognised a write-off of amounts owed by subsidiary undertakings of £Nil (2018: £289,880) as a result of the relevant subsidiaries being dissolved in the current year. As at 31 July 2019 the balance due to Egdon Resources plc from its subsidiary undertakings was £28,673,646 (2018: £26,017,025) as shown in Notes 16 and 17.

29 CONTROL OF THE GROUP

There is no ultimate controlling party of Egdon Resources plc.

30 SUBSEQUENT EVENTS

Subsequent to the year end, Egdon (as operator and on behalf of the remaining PEDL253 joint venture partners) have enforced their rights under the JOA default provisions and commenced proceedings to recover the sums owed by Humber Oil and Gas Limited.

Under the terms of the JOA, the defaulting party can be removed from the licence and that party's share of the asset redistributed amongst the remaining joint venture parties. Humber remain liable for the outstanding debt but in the interim the remaining joint venture parties have assumed responsibility for the payment of invoices.

On 12 September 2019, Egdon reported the results of the Springs Road-1 analysis which indicates a three-fold increase in resource density for the Bowland Shale interval compared to the previous independent assessment by ERCE in 2014.

On 2 November 2019, the UK Government announced a moratorium on hydraulic fracturing for shale-gas in England following the publication of the recent Oil and Gas Authority report into induced seismicity observed at Preston New Road PNR-1Z well in 2018.

Whilst Egdon has a diverse portfolio including a broad range of conventional oil and gas assets, over the last six years the Company has built a significant acreage position in UK unconventional resources focused on the Gainsborough Trough in Eastern England. As at 31 July 2019, the Company's unconventional assets had a net book value of £15.5m and include acreage in areas that have been described as holding the potential for world class gas resources.

Egdon is fully committed to working closely with the OGA and other regulators to demonstrate that hydraulic fracturing can be carried out in a safe and environmentally responsible manner. The Directors believe that, given the nature of the moratorium, the commitment of the industry to undertake the necessary technical assessments and the current high levels of political uncertainty, it is not possible to conclude with any degree of certainty that the Company's oil and gas assets are impaired at this stage and no adjustment has therefore been made in this regard in the financial statements for the year ended 31 July 2019. The compelling argument for energy extraction from UK unconventional oil and gas acreage to support the journey to a Net Zero carbon conclusion adds to our view at this juncture that whilst our asset values remain under close review, it is currently premature to consider with any certainty any degree of impairment. The impairment reviews undertaken by the Directors at the reporting date were performed without taking into account the potential impact of the Government moratorium.

On 4 November, following an extensive farm out process, Egdon signed an exclusivity agreement in respect of licences P1929 and P2304 with a large internationally recognised exploration and production company ("the Counterparty").

Exclusivity has been granted to the Counterparty subject to a definitive farm out agreement or other defining legal agreement(s) being entered into by 19 January 2020 and completion occurring by 19 April 2020.

Despite entry into the agreement, no assurance can be provided that a commercial transaction will ultimately be concluded with the Counterparty.

Egdon has previously submitted a request to the OGA for an extension to licences P1929 and P2304 both of which otherwise expire at the end of November 2019 and is optimistic of receiving confirmation from the OGA in respect of these extensions in the near future.

The carrying value of these assets at 31 July 2019 was £1.82 million. Should the extension not be granted it is likely that the assets would be impaired and the carrying value written off. At this stage, there is every indication that the extensions will be granted and therefore no adjustment has been made in this regard.

On 7 November 2019 the Wressle Field Development Planning Inquiry was concluded. A decision is expected before end 2019.

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)
Timothy Davies (Non-Executive Director)
Martin Durham (Executive Director)
Kenneth Ratcliff (Non-Executive Director)
Walter Roberts (Non-Executive Director)

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

18 November 2019

Dear Shareholder,

1. INTRODUCTION

Notice of the Company's forthcoming Annual General Meeting to be held on Thursday 19 December 2019 ("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 2019 (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 to 6)
Martin Durham was appointed as an executive Director on 8 January 2019 and Timothy Davies was appointed as a non executive Director on 12 April 2019. Both retire as required by the Company's Articles and each offers himself for election. Kenneth Ratcliff and Walter Roberts both retire automatically as they were each last re-elected at the annual general meeting held in 2016, and each offers himself for re-election, and these retirements satisfy the requirement that a third of the members of the Board submit themselves for re-election each year. Brief biographical details of all of the Directors appear on pages 26-27 of the Financial statements.

Authority of Directors to allot shares (Resolution 7)
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 7, pursuant to paragraph (A) of the Resolution, the Directors will have authority to allot shares up to a maximum of £1,011,052.08 (which represents approximately one-third of the current issued share capital as at 18 November 2019, 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 7, 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 £1,011,052.08 (which represents approximately a further third of the current issued share capital as at 15 November 2019, 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 7 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 7 will expire at the conclusion of the next Annual General Meeting or, if earlier, on 31 January 2021.

Disapplication of pre-emption rights (Resolution 8)
If the Directors wish to exercise the authority under Resolution 7 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 proportion to their holdings.

Resolution 8 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 £454,973.43 (which represents approximately 15% of current issued share capital as at 15 November 2019, being the latest practicable date before the publication of this Letter). If given, to the extent not already expired, the authorities conferred by Resolution 8 will expire on the conclusion of the next Annual General Meeting or, if earlier, on 31 January 2021.

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, because our fund raising was made by way of open offer to existing shareholders, 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 10,696,481 ordinary shares (representing 3.53 per cent. 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 19 December 2019. Completion of a proxy form will not prevent you from attending the AGM in person if you so wish.

Yours sincerely,

Philip Stephens
Chairman

EGDON RESOURCES PLC

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

Notice is hereby given that the Annual General Meeting of Egdon Resources plc (the "Company") will be held at the offices of Norton Rose Fulbright, 3 More London Riverside, London SE1 2AQ, United Kingdom on Thursday 19 December 2019 at 11.30 a.m. for the purpose of passing the following resolutions, of which Resolutions 1 to 7 will be proposed as Ordinary Resolutions and Resolution 8 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 2019, together with the report of the Auditors on those audited accounts.

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

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

4 To elect Timothy Davies as Director who retires pursuant to article 87 of the Company's articles of association and who, being eligible, offers himself for election.

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

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

7 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 £1,011,052.08; and

(b) comprising equity securities (within the meaning of section 560 of the Act) up to a further aggregate nominal amount of £1,011,052.08 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 2021, 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:

8 THAT, subject to the passing of Resolution 7 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 7 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 7, 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 8) of equity securities or sale of treasury shares up to an aggregate nominal amount of £454,973.43,

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 2021, 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 18 November 2019

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 17 December 2019 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 17 December 2019 shall be disregarded in determining the rights of any person to attend and/or vote at the Annual General Meeting.

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 Guidance 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 Guidance and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.

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

DIRECTORS, OFFICERS AND ADVISORS

DIRECTORS

Philip Stephens	– Chairman
Mark Abbott	– Managing Director
Martin Durham	– Technical Director
Walter Roberts	– Non-executive Director and Company Secretary
Ken Ratcliff	– Non-executive Director
Tim Davies	– 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, 12th Floor, 5 Churchill Place, Canary Wharf, London E14 5HU

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 Market Services Limited, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

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www.egdon-resources.com

Egdon Resources plc

The Wheat House
98 High Street
Odiham, Hampshire
RG29 1LP

+44 (0)1256 702292