

Egdon Resources plc
Annual Report and Financial
Statements for the year ended
31 July 2020



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

Strategic Report

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An established UK focused oil and gas exploration and production business with 42 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 during the year was 145 boepd (2019: 182 boepd) ahead of guidance of 130-140 boepd.
- Planning permission was granted for the Wressle development on appeal on 17 January 2020 following a public inquiry in November 2019. Full costs were awarded against North Lincolnshire Council and have been received. Field development operations are progressing well and first oil is targeted during January 2021, which will add 150 bopd to Egdon's production.
- During March 2020, we announced the results of an in-depth assessment of the Biscathorpe project (PEDL253) which identified technically and commercially attractive target areas accessible via a side-track of the suspended Biscathorpe-2 well. A planning application is in the process of being prepared for submission to enable this.
- The farm-out of the Resolution and Endeavour gas discoveries (P1929 and P2304) to Shell U.K. Limited ("Shell") and agreed licence extensions and new work programme obligations with the Oil and Gas Authority ("OGA"). We now look forward to the acquisition of 3-D seismic during February 2022.
- During September 2019, the encouraging gas in place results for Springs Road-1 were announced indicating the presence of a potentially world class resource in the "Gainsborough Shales" of the Gainsborough Trough where Egdon holds 71,361 net acres (289 km²).
- During early November 2019 the Government announced the introduction of a moratorium on high volume hydraulic fracturing for shale-gas that will remain in place until new evidence is provided. Along with our industry peers we are continuing to work with the OGA and other regulators on this matter.
- On 18 June 2020 a confidential settlement was reached with Humber Oil and Gas in respect of PEDL253 litigation and monies were received on 25 August 2020.

Financial Highlights

- Gross oil and gas revenues during the year decreased by 56% to £0.96 million (2019: £2.20 million).
- Loss for the year ended 31 July 2020 of £4.75 million after write-downs, pre-licence costs and impairments of £3.03 million (2019: loss of £1.72 million after write-downs, pre-licence costs and impairments of £0.45 million).
- Basic loss per share of 1.53p (2019: 0.64p).
- Cash at bank £0.85 million as at 31 July 2020 (2019: £1.62 million).
- Placing of equity in April 2020 raised £0.50 million (gross of expenses) at a price of 2p per share.
- Net current liabilities as at 31 July 2020 of £0.33 million (2019: Net current assets £1.91 million).
- Net assets as at 31 July 2020 of £26.67 million (2019: £30.99 million).

Subsequent Events

- On 25 August 2020 the farm-outs to Shell were completed for the Resolution and Endeavour assets (P1929 and P2304).
- On 7 September 2020 we received approval for an extension of planning consent to 31 December 2021 for the drilling of North Kelsey-1 (PEDL241) which had been delayed due to COVID-19 restrictions during the earlier part of the year.
- PEDL143 Licence relinquished during September 2020.
- On 26 November 2020 Egdon announced that it had entered into a £1.00 million loan facility with Union Jack Oil plc
- On 5 January 2021 Egdon finalised the documentation for £1.05 million convertible loan notes with a concert party of Petrichor Holdings BV. The transaction, which will require a whitewash, is subject to shareholder approval through a vote by independent shareholders at a General Meeting to be held on 22 January 2021.
- Egdon has been advised by Shell that the Resolution 3-D seismic survey is now planned for February 2022, subject to approval by the OGA of an amendment to the licence obligations.

Our Strategy

The Directors have identified three key strategic objectives to drive and enhance shareholder value:

1. Production

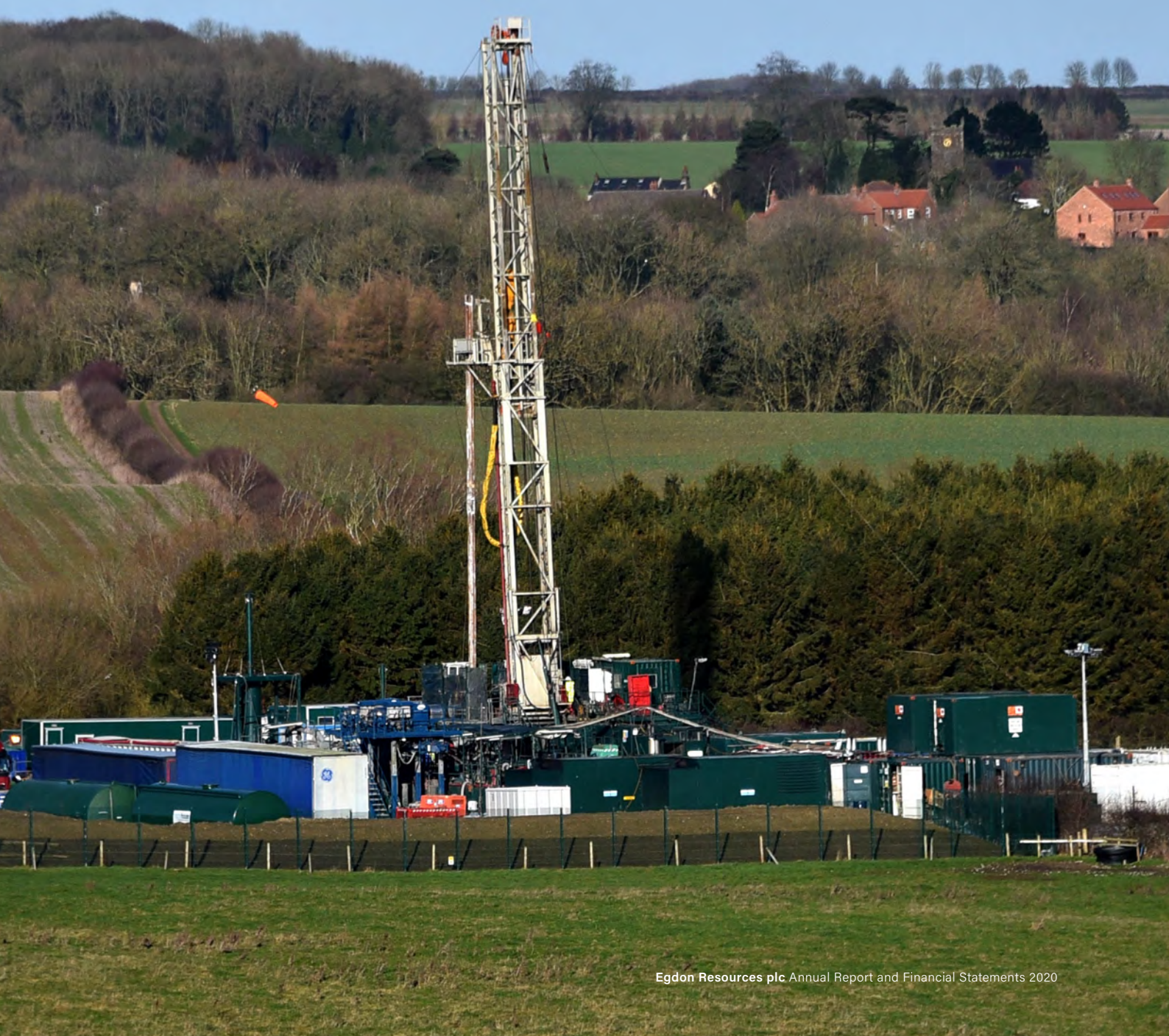
A continued focus on maximising production rates, revenues, and profitability from existing producing assets through targeted investment.

2. 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.

3. UK Unconventional Resources

De-risking the technical aspects of our substantial Northern England unconventional resource portfolio.



Chairman's Statement

I can report on the results for the year ended 31 July 2020, a period which has seen unprecedented challenges for individuals and businesses alike as we respond to COVID-19, a national and international public health emergency, which has impacted all aspects of our lives.



Philip Stephens Chairman

As the scale of the COVID-19 pandemic became evident, the initial focus and primary concern for the Company was, and remains, the health and safety of our employees, contractors, and other stakeholders. In this regard, Egdon's office-based employees have been working from home since March 2020. We have established procedures and plans to ensure the continued safe operation of our production sites whilst adapting our operations to enable and implement social distancing. Oil and gas workers are classified as 'key workers', recognising the importance of maintaining oil and gas supply to meet the UK's energy demands, and our production operations have been unaffected.

However, the impact on demand for oil and gas caused by the worldwide "lockdown" has had a severe impact on commodity prices which has adversely impacted our revenues and profitability. As such we have taken measures to reduce our costs, with all employees and Directors taking a temporary 20% salary reduction and by maintaining a strong focus on cost-control across our business. We plan to be in a position to benefit and prosper as the UK and world economy emerges from the current crisis.

Despite these highly challenging headwinds the Company has continued to make progress in a number of key strategic areas and continues to adapt its business to operate in the "new normal".

Key Events

Key events since the start of the year were;

- a) Production during the year, from Ceres, Kedlington and Fiskerton Airfield, was 145 boepd (2019: 182 boepd) ahead of guidance of 130-140 boepd.
- b) During September 2019, the encouraging gas in place estimates for Springs Road-1 were announced indicating the presence of a potentially world class resource in the "Gainsborough Shales" of the Gainsborough Trough where Egdon holds 71,361 net acres (289 km²).
- c) During early November 2019 the Government announced the introduction of a moratorium on high volume hydraulic fracturing for shale-gas that will remain in place until new evidence is provided. Along with our industry peers we are continuing to work with the OGA and other regulators on this matter.
- d) Planning permission was granted for the Wressle development on appeal on 17 January 2020 following a public inquiry in November 2019. Full costs were awarded against North Lincolnshire Council and have been received. Field development operations are progressing well and first oil is targeted during January 2021, which will add 150 bopd to Egdon's production.
- e) During March 2020, we announced the results of an in-depth assessment of the Biscathorpe project (PEDL253) which identified technically and commercially attractive target areas accessible via a side-track of the suspended Biscathorpe-2 well. A planning application is in the process of being prepared for submission to enable this.
- f) On 18 June 2020 a confidential settlement was reached with Humber Oil and Gas in respect of PEDL253 litigation and monies were received on 25 August 2020.
- g) Post year-end Egdon completed the farm-out of the Resolution and Endeavour gas discoveries (P1929 and P2304) to Shell Oil U.K. Limited ("Shell") having agreed licence extensions and new work programme obligations with the OGA. We now look forward to the acquisition of 3-D seismic during February 2022.
- h) Post year-end on 7 September 2020 we received approval for an extension of planning consent to 31 December 2021 for the drilling of North Kelsey-1 (PEDL241) which had been delayed due to COVID-19 restrictions during the earlier part of the year.

Financial and statutory information

Revenue from oil and gas production during the year was £0.96 million (2019: £2.20 million). The reduction in revenues was driven by a 20% decline in overall production (2020: 53,070 boe against 2019: 66,364 boe) and a 58% reduction in realised price per boe due to the unprecedented low gas price seen during the year and the collapse in oil price in response to the COVID-19 pandemic (2020: \$18.08/boe against 2019: \$42.60/boe).

The Group recorded a net loss of £4.75 million for the year, (2019: loss of £1.72 million). This included impairments totalling £2.84 million (2019: £0.41 million). Impairments of £2.19 million were made at our interims to Ceres, Dukes Wood/Kirklington and certain non-core unconventional licences (PEDL001, PEDL130, PEDL202, EXL253 and PEDL039). PEDL143 was relinquished during September 2020 with an additional impairment of £0.64 million recognised.

The operating loss, calculated as gross loss less admin expenses, plus other operating income, before impairments was £1.79 million (2019: £1.26 million).

The Group continues to focus on managing cash resources and at the end of the year had cash and cash equivalents of £0.85 million (2019: £1.62 million) and net current liabilities of £0.33 million (2019: net current assets of £1.91 million). The Company raised £0.50 million (gross) via a placing of shares in April 2020. In November 2020, Egdon secured a £1.00 million loan facility from Union Jack Oil plc. The loan has a term of 18 months with an interest rate of 11% per annum and is secured against a 25% interest in the Wressle project. On 5 January 2021, Egdon finalised the documentation for £1.05 million convertible loan notes with a concert party of Petrichor Holdings BV. The transaction, which will require a whitewash, is subject to shareholder approval through a vote by independent shareholders at a General Meeting to be held on 22 January 2021.

The loss per share for the year was 1.53p (2019: loss of 0.64p).

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

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 technically de-risking our substantial Northern England unconventional resource portfolio.

The current low oil and gas price environment makes our existing late life producing assets marginal or uneconomic and, as such, we have continued to focus on reducing costs and on progressing near term high impact projects such as Wressle and Biscathorpe. Progress in developing our unconventional resources in Northern England has been impacted by the current moratorium which is discussed below.

Political and regulatory

With our material shale-gas portfolio, Egdon was adversely impacted in November 2019 by the Government's imposition, prior to the last election, of a moratorium on high volume hydraulic fracturing for shale-gas, introduced in response to induced seismicity at the Preston New Road well site in Lancashire. Lifting of the moratorium will require new evidence to demonstrate that operations can be undertaken without unacceptable levels of induced seismicity. Each basin and site is different and the Gainsborough Trough, where Egdon holds its core licences, is characterised by its simple structure and limited faulting. Egdon along with its industry peers continues to be 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 remain confident of doing so by adopting a rigorous scientific approach.

Chairman's Statement

continued

Notwithstanding the current moratorium, highly positive results from Springs Road-1, coupled with production of the first UK shale-gas at Preston New Road begin to confirm that a potentially world class gas resource is present onshore UK.

The UK is committed by law to reaching "net zero" carbon emissions by 2050. The public narrative around this tends to be the demonisation of oil and gas with renewables fully displacing the use of fossil fuels. However, the Climate Change Committee ("CCC") in its December 2020 report again highlighted the need for an energy mix in the UK. It is a fact that in the period to 2050 the UK cannot rely on renewables alone for all energy needs and that there will be a continuing need for oil and gas. In particular the need for natural gas for the production of hydrogen is vital as hydrogen is expected to be an increasingly important fuel for domestic heating and industrial use.

Given the predicted sharp decline in UK Continental Shelf ("UKCS") production, the UK would continue to have a gas import dependency under most scenarios in the period through to 2050 and beyond. The results of various studies demonstrate that UK sourced shale-gas would have significantly lower (up to 75% lower) pre-combustion carbon emissions than gas imported via LNG or long-distance pipelines. So, UK shale-gas could be an important part of the energy transition to the UK moving to a "net zero" economy. The national and local benefits of an indigenous supply of shale-gas are clearly evident and even more compelling in the context of a post-COVID-19 recovery, with a positive impact on the balance of payments, tax, business rates and employment. Without indigenous shale-gas, the UK will simply offshore its emissions, employment, and fiscal benefits.

Asset Portfolio

Egdon held interests in 42 licences (2019: 44 licences) in the UK at year end with exposure to the full cycle of opportunities from exploration through to development and production. The Egdon website (www.egdon-resources.com) provides further details of all assets and operations and Egdon's key assets are discussed more fully in the Operating Review below.

The Company will maintain its current focus on the highest potential projects whilst divesting its non-core assets.

The portfolio of conventional resource assets provides potential for growth via exploration and appraisal drilling and the Company continues to 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. Partly dependent upon securing a further farm-out, Egdon hopes to drill a side-track at Biscathorpe and a new well on the North Kelsey prospect during 2021, where planning was extended for a further 12 months to

31 December 2021 post year end in September 2020.

The Company continues to review options for additional drilling at the Keddington oil field and for restoration of production at Waddock Cross and Kirkleatham. It is likely that Dukes Wood/Kirklington will be restored with options for repurposing the wells for geothermal use, currently being investigated.

Having tripled Egdon's unconventional resources acreage in the period 2014 to 2017 to c. 186,600 net acres (755 km²) the Group has paused from further acreage growth to concentrate on improving its technical understanding of the play, and refocusing on the highest potential licences whilst work continues on the lifting of the moratorium. Licences PEDL001, PEDL130, PEDL202, EXL253 and PEDL039 have been impaired during the year and the farm-in to PL161/162 has lapsed, reducing net acreage to 164,280 acres and independently assessed mean volume of undiscovered Gas Initially In Place ("GIIP") to 47.6 trillion cubic feet ("TCF") (from 50.9 TCF). This still represents a highly material resource. The primary focus remains the Gainsborough Trough where Springs Road-1 was drilled.

Outlook

The expected start of production at Wressle during late January 2021 will transform Egdon's production and cash-flow. Production guidance for the first half of the financial year 2020-21 is 100 boepd and 200 boepd for the second half of the year resulting in full year guidance of 140-150 boepd.

The historically low gas price seen over the last winter and continuing through the summer of 2020 has seen a recovery in recent months and is expected to return to more normal levels during the coming winter period. Oil prices have recovered from the lows seen at the onset of the COVID-19 pandemic, but are expected to remain strongly linked to worldwide economic activity levels.

Operationally, in the short-term we will continue to focus on high impact projects within our conventional resource portfolio whilst working with the industry to demonstrate to the OGA and other regulators that we can operate safely to deliver lower emission UK gas to the market.

Our key activities and focus for the coming year will be:

- Continuing to carefully manage costs and cash through the current challenging operating environment
- Finalising the development of the Wressle oil field for production start-up in January 2021
- Progressing the planning application for a Biscathorpe-2 side-track well to be drilled in 2021 and where we may look to secure a partial farm-out

- Progressing a farm-out of North Kelsey-1 for drilling in 2021
- Streamlining the conventional resource portfolio to concentrate on a smaller number of key assets whilst maintaining our position in core unconventional resource assets
- Progressing the acquisition of the planned marine 3-D seismic survey over the Resolution and Endeavour gas discoveries in February 2022
- Subject to lifting of the current moratorium on hydraulic fracturing operations for shale-gas, progressing the planning and permitting for the drilling and subsequent testing of the Springs Road-2 well
- Reviewing the Energy Transition opportunities within the current portfolio, including repurposing of existing wells for geothermal energy

Despite the unprecedented challenges experienced during the year, 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.

The Company is focused on reducing costs and expenditure and on progressing key near term cash generative projects such as Wressle. We will continue to keep activity under review in light of the current circumstances and position the Company for growth once normality returns.

We will also continue to review opportunities in the energy space that leverage our expertise with a focus on projects with near term predictable cash flows, opportunities to reduce costs and a low execution risk and capital requirement.

As always, I would like to thank our shareholders for their continued patience and support and the unwavering effort of the Egdon team on behalf of shareholders through the current highly challenging times.

Philip Stephens

Chairman

5 January 2021

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 objectives, key priorities, risks and potential growth drivers. Egdon's website (www.egdon-resources.com) provides further details of the Group's assets and operations.



Mark Abbott
Managing Director

Operating Environment & COVID-19

Notwithstanding the impact on commodity prices and the resultant reduction in revenues, the restrictions imposed by Government to deal with the COVID-19 pandemic have not materially impacted our operations. The one exception was at North Kelsey, where drilling plans have been delayed and an extension to planning consent through to the end of 2021 was granted during September 2020.

We have kept our employees, contractors, and other stakeholders safe by adopting home working and social distancing measures and will continue to take a cautious approach as lockdown restrictions evolve.

Health, Safety & Environment

Egdon is fully committed to high standards of Health, Safety and Environmental ("HSE") 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 is subject to continuing review and revision to ensure it remains fit for purpose. During the reporting year there were no reportable health and safety incidents and the Company was compliant with all of its environmental permits and planning consents.

Communications

Egdon maintains a website (www.egdon-resources.com) which provides stakeholders with up to date information on the Company and its operations. Egdon has launched a new community facing website, www.egdon-community.com, which provides a portal for information related to Egdon's operational sites. In addition, we provide summaries of press releases, non price-sensitive information and other relevant updates via the Company's Twitter account (@EgdonResources).

Strategy

Our strategy remains the same, but its emphasis has shifted to a greater focus on cost-control and to progressing our higher impact conventional projects such as Wressle and Biscathorpe. In parallel we continue working with our industry peers to lift the moratorium and to maintain Egdon's enviable unconventional resource acreage position at minimal cost.

Objectives

As part of our preliminary results reporting (November 2019) and Interim Results (April 2020) we set out several objectives against which I can report on progress:

Objective Set	Progress Against Objective
1) Subject to a positive outcome to the planning inquiry, developing the Wressle oil field for production start-up in H2 2020	<ul style="list-style-type: none"> Planning for development granted on appeal in January 2020 Planning conditions discharged, design and regulatory works completed, site operations commenced and progressing according to schedule Minor slippage to January 2021 production start-up
2) Completing the farm-out of the Resolution and Endeavour projects with our exclusivity partner (Shell) and progressing the acquisition of the planned marine 3-D seismic survey	<ul style="list-style-type: none"> Farm-out to Shell completed during August 2020 OGA agreed to licence extensions to 31 May 2024 and amended work programme milestone obligations Licence operatorship and equity (70%) transferred to Shell 3-D seismic survey now planned for February 2022
3) Subject to lifting of the current moratorium on hydraulic fracturing operations for shale-gas, progressing the planning and permitting for the drilling and subsequent testing of the Springs Road-2 well	<ul style="list-style-type: none"> Discussions are ongoing between industry and regulators to make the scientific case for lifting the moratorium
4) Finalising the forward plan for Biscathorpe and progressing plans for a Biscathorpe-2 side-track well	<ul style="list-style-type: none"> Detailed technical work completed which concludes significant commercial potential exists at Biscathorpe which can be tested via a side-track well of Biscathorpe-2 Settlement reached in June 2020 with Humber Oil & Gas Limited resulting in JV alignment on forward plan Planning application being developed for side-track drilling, testing and production, which will need a supporting environmental statement
5) Maintaining the option for North Kelsey-1 exploration well for drilling in 2021 and advancing a farm-out	<ul style="list-style-type: none"> EA Permit for operations issued in July 2020 Planning permission extended to 31 December 2021 Agreement signed with Union Jack in October 2020 to align interests and jointly farm-out, to be completed in January 2021
6) Carefully managing costs and cash through the current challenging operating environment	<ul style="list-style-type: none"> Temporary salary reductions of 20% implemented for all staff and Directors in April 2020 and will continue until further notice Placing to raise £0.50 million (gross) completed during April 2020 Loan facility of £1.00 million drawn-down in November 2020 Convertible Loan Notes of c. £1.05 million to be issued in January 2021 subject to Shareholder approval at a General Meeting

Operating Review

continued

Assets & Operations

Egdon held interests in 42 licences (2019: 44 licences) in the UK at year end with exposure to the full cycle of opportunities from exploration through to development and production.

Licensing

Highlighted below are key changes to our licence portfolio during the year and post-year.

Licence	Changes
PEDL180/PEDL182 (Wressle)	Continuation of second term approved
PEDLs 191, 201, 202, 241, 273, 306, 334	Licence terms extended
PEDL253	Continuation of second term approved
PEDL209	Egdon increased interest to 100% due to withdrawal of other JV parties,
P1929 and P2304	Reduced interest to 30% via farm-out, Licence term extended and work programme obligations and milestones amended
PEDL143 (Holmwood)	Licence relinquished during September 2020
PEDL241	Alignment of interest with Union Jack Oil plc and Egdon on a 50:50 basis
PL161/162	Farm-in lapsed

Production and Development Assets

Production during the year, from Ceres, Keddington and Fiskerton Airfield, was 145 boepd (2019: 182 boepd) ahead of guidance of 130-140 boepd.

Ceres (P1241: Egdon 10%)

Ceres gas production during the year was 118 boepd plus six boepd of condensate down from 148 boepd plus eight boepd of condensate in the previous financial year. Production is expected to cease in the 2021-23 period dependent upon economic life with abandonment following probably in 2023-24 together with associated fields in the system. The current historically low gas price and forward curve have resulted in an impairment of £0.51 million (2019: £Nil) being made for the Ceres asset at this time.

Keddington (PEDL005R: Egdon 45%)

Keddington continued to produce at a net rate of eight bopd (2019: 11 bopd) from one well. During the year we completed a detailed sub-surface review of the Keddington field and the surrounding licence area which indicates that gross Mean Contingent Resources of 567,000 bbls remain to be produced. This presents an opportunity to increase production via a development side-track from one of the existing wells. In addition, a near-field exploration opportunity exists at Keddington South, which has a gross Mean Prospective Resource Volume of 635,000 barrels of oil and the Louth Prospect, with a gross Mean Prospective Resource of 600,000 barrels of oil. We will now look to progress plans for a potential side-track.

Fiskerton Airfield (EXL294: Egdon 80%)

Fiskerton Airfield produced at a net rate of 13 bopd during the year (2019: 15 bopd). Our focus at Fiskerton Airfield continues to be on maximising production from the existing wells and managing costs. Longer term potential for the site is to use it to manage produced water from other Egdon sites through the existing water injection well on site.

Wressle (PEDL180/182: Egdon 30%)

The Wressle development was granted planning consent on appeal on 17 January 2020 following a public inquiry in November 2019. Economic modelling has demonstrated that Wressle is economically robust even in the current low oil price environment with an estimated project break-even oil price of \$17.62 per barrel. Initial production is expected to be 500 barrels of oil per day ("bopd") (150 bopd net to Egdon). The Wressle Field has been independently audited (2016 Competent Persons Report ("CPR" ERCE)) with gross 2P Reserves of 0.62 million barrels of oil ("mmbo") and 2C Resources of 1.53 mmbo.

The plan for the Wressle oil field development comprises the following key stages:

Stage	Status/progress
1) Discharging the planning conditions, finalising detailed designs, tendering and procurement of materials, equipment, and services, and finalising all HSE documentation and procedures	Completed
2) Installation of groundwater monitoring boreholes and establishing baseline groundwater quality through monitoring and analysis	Completed and report provided to EA
3) Reconfiguration of the site	Commenced on 29 July 2020 and completed on schedule on 19 October 2020
4) Installation and commissioning of surface facilities	Commenced in early November 2020 and ongoing
5) Sub-surface operations	Commenced January 2021
6) Commencement of production	Expected January 2021

The Company continues to review options for the restoration of production at Waddock Cross and Kirkleatham.

Waddock Cross (PL090: Egdon 55%)

Waddock Cross is currently shut-in. Significant work has been completed over the past year and initial indications from independent reservoir modelling are that a new horizontal well on the field could yield commercial oil volumes (500-800 bopd), albeit at high water cut. Further work is ongoing to finalise a forward plan for redevelopment of the field, which would include enhanced produced water handling facilities. Given the large in place oil volume (Mean STOIP: ca. 70 mmbbls) this has been high graded by the Company as planning and facilities are in place to test this opportunity.

Kirkleatham (PEDL068: Egdon 68%)

The Kirkleatham gas field remains shut-in whilst the asset is marketed for farm-in. Potential exists for a side-track to access a small volume of gas in the attic of the structure. Furthermore, additional upside may exist for a tight gas resource in the underlying Carboniferous. The production facilities remain in place and can easily be reinstated.

Dukes Wood/Kirklington (PEDL118/PEDL203: Egdon 55.55%)

Given the reduced likelihood of attracting external investment to redevelop the Dukes Wood and Kirklington assets, during the global downturn in the energy industry, it has been decided to impair these assets fully at this time. Therefore, an impairment of £1.15 million has been made. It is likely that Dukes Wood/Kirklington will be restored over the coming period with options for repurposing the wells for geothermal uses currently being investigated.

Avington (PEDL070: Egdon 28%)

Avington remains shut-in. Planning consent was refused by the South Downs National Park Authority for continuing production at the site. The JV has agreed to appeal this decision and future activity will be dependent upon the outcome of the appeal.

Conventional Exploration and Appraisal Assets

Resolution and Endeavour (P1929 & P2304: Egdon 30%)

Post year-end Egdon completed a farm-out Agreement with Shell U.K. Limited ("Shell") in relation to UK offshore licences P1929 and P2304 which contain the Resolution and Endeavour gas discoveries respectively. Concurrently, we have also agreed extensions to both licences through to 31 May 2024 together with revised work programmes and milestones agreed with the OGA.

Under the terms of the farm-out Agreement which completed during August 2020, Shell has acquired a 70% working interest in the licences and has been appointed as the licence operator and administrator. In consideration, Shell will pay 85% of the costs of the acquisition and processing of a 3-D seismic survey (capped at US\$5 million) covering both the Resolution and Endeavour gas discoveries and will also pay 100% of all studies and manpower costs up to a well investment decision on both licences.

Operating Review

continued

A Competent Person's Report (Schlumberger Oilfield UK PLC) reported Mean Contingent Gas Resources of 231 billion cubic feet of gas ("bcf") attributable to the Resolution gas discovery (P1929). In addition, Egdon estimates that the Endeavour gas discovery (P2304) contains Mean Contingent Resources of 18 bcf, with a P90 to P10 range of 10 to 28 bcf. It is a testament to the quality of the assets that despite challenging market conditions Egdon was able to secure a material carry on costs to the well investment decision.

We now look forward to acquisition of the 3-D seismic which is planned for February 2022, subject to the OGA approving an extension to the licence obligations.

Biscathorpe (PEDL253: Egdon 35.8%)

During March 2020, we announced the results of an in-depth technical and commercial assessment of the Biscathorpe project. The sub-surface analysis which integrated the reprocessing and remapping of 264 square kilometres of 3-D seismic with the results of the Biscathorpe-2 well has identified target areas with evidence for a thickened Westphalian sandstone, accessible via a side-track of the suspended Biscathorpe-2 well. The gross Mean Prospective Resources associated with the Westphalian target area are estimated by Egdon to be 3.95 mmbo, with an upside case of 6.69 mmbo. Screening conducted by Egdon indicates break-even full cycle economics to be US\$18.07 per barrel with an NPV (10) valuation of £55.60 million. The results of this work lead us to conclude that a possible material and commercially viable hydrocarbon resource remains to be tested at Biscathorpe.

The side-track would also target the 57 metre live oil column logged in the underlying Dinantian Carbonate in Biscathorpe-2. Although not considered a primary target, should there be effective permeability, or fractures, the Dinantian Carbonate represents a further, potentially commercial play. The Dinantian Carbonate is estimated by Egdon to have a gross Mean Stock Tank Oil Initially in Place ("STOIIP") of 24.3 mmbo with an upside STOIIP case of 36 mmbo. The next steps will be to finalise a bottom hole target location and then progress the planning and permitting for the side-track. The OGA has approved the continuation of licence PEDL253 into its Second Term which commenced on 1 July 2020.

A planning application is in the process of being prepared for submission for the drilling of a side-track well, testing and long term production or site restoration. It is intended to drill the side-track during 2021 subject of course to receipt of all necessary consents. Egdon may look to farm-down its interest further.

North Kelsey (PEDL241: Egdon 50%)

The North Kelsey Prospect has been mapped from 3-D seismic data and has potential for oil in up to four stacked conventional Carboniferous reservoir targets: the Chatsworth Grit, Beacon Hill Flags, Raventhorpe Sandstone and Santon Sandstone. Egdon has calculated the gross Prospective Resources to range from 4.66 million barrels up to 8.47 million barrels, with a Mean Resource volume of 6.47 million barrels.

Plans to construct the well site during early 2020 were impacted by COVID-19 restrictions and delays in issuing of the EA permit, which was finally received on 29 July 2020. In light of this Egdon applied for and was granted on 7 September 2020 an extension of the existing planning consent to 31 December 2021. Egdon will now look to conclude a further farm-out and plans to drill this potentially high-impact well during 2021. In October 2020 Egdon and its partner, Union Jack Oil plc announced an agreement to align equity in PEDL241 on a 50:50 basis. Egdon will receive a cash consideration of £0.10 million on completion which is expected during January 2021.

Holmwood (PEDL143: Egdon 18.4%)

The operator of PEDL143, UK Oil and Gas Limited ("UKOG") was unable to find an operationally and commercially viable location from which to drill the A24 prospect (previously Holmwood). As such the Joint Venture has relinquished PEDL143. As a result, Egdon will impair the full carrying value of PEDL143 totalling £0.64 million. Whilst disappointing given the undoubted potential of the prospect, this will enable the Company's technical resources to focus on other higher potential projects.

Elsewhere within Egdon's portfolio, we continue to evaluate and high-grade potential prospects as follow ups to those highlighted above.

Unconventional Resources

Following a number of changes to our licence interests as detailed elsewhere, the Group's unconventional resources acreage position in Northern England is 164,280 net acres (664km² net) (2019:186,600 net acres (755km² net)). This remains a significant and potentially highly valuable position with Egdon estimating Mean volumes of undiscovered GIIP of 476 TCF net (2019: 50.9 TCF).

Although Egdon holds material interests in a number of key prospective geological basins, our core area is the Gainsborough Trough of Nottinghamshire, Lincolnshire and Yorkshire where the Group holds interests in 71,361 net acres (2019: 82,000 net acres).

The results from the 2019 Springs Road-1 well ("SR-01" - Egdon 14.5%) compare favourably with some of the best US commercial shale operations and highlight a potentially world class resource in the Gainsborough Shale (previously named the Bowland Shale) of the Gainsborough Trough. The analyses of cored shale indicate the presence of 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.

Activity in the basin is currently on pause due to the moratorium on hydraulic fracturing of shale-gas introduced in November 2019. Egdon remains optimistic of being able 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 will justify a lifting of the hydraulic fracturing moratorium.

Egdon has increased its interest in PEDL209 during the year to 100% as the other JV partners have withdrawn. PEDL209 is well situated in a core part of the basin.

Scottish Power has advised that it will not extend the term of the farm-in agreement in relation to PL161/162 where Egdon needed to drill a well to earn a 50% interest in the area outside of the Hatfield Moors development area. This has resulted in a reduction in both net acreage and resources, which is summarised in the first paragraph of this section.

Egdon also retains material licence interests in the Widmerpool Basin and Humber Basins of the East Midlands which have similarities to the Gainsborough Trough and in the Cleveland Basin of NE England and the Blacon Basin of NW England. Activity levels will be on a care and maintenance basis during the coming year.

Energy Transition Opportunities

The UK is committed by law to reaching "net zero" carbon emissions by 2050 and the CCC identifies the continuing need for oil and gas up to and beyond 2050, particularly a potentially major role for gas in the production of hydrogen, coupled with Carbon Capture Utilisation and Storage ("CCUS"). However, the energy transition to more renewable energy will present a number of business opportunities and Egdon recognises the potential for repurposing its fields, sites and wells for renewable purposes. Of initial interest is the potential for geothermal energy and the Company is reviewing its portfolio to identify any opportunities which may exist.

Risks

The key business risks are set out on pages 20 to 21.

Outlook and Priorities

Full year production guidance for the 2020-2021 financial year is 140-150 boepd from Wressle, Ceres, Keddington and Fiskerton Airfield. Guidance for the first half of the year is 100 boepd and 200 boepd for the second half of the year.

The key priorities for the Group during the coming year will be:

- Managing our operations to ensure the continued safety of employees, contractors and other stakeholders in response to the evolving COVID-19 situation
- Continuing to carefully manage costs and cash through the current challenging operating and macro-economic environment and ensuring the business is capitalised for the future
- Completing the development of the Wressle oil field for production start-up in January 2021
- Progressing the planning application for a Biscathorpe-2 side-track well to be drilled in 2021 and to potentially farm-out
- Progressing a farm-out of North Kelsey-1 for drilling in 2021
- Streamlining the conventional resource portfolio to concentrate on a smaller number of key assets whilst maintaining our position in core unconventional resource assets at minimal cost
- Progressing the acquisition of the planned marine 3-D seismic survey over the Resolution and Endeavour gas discoveries in February 2022
- Subject to lifting of the current moratorium on hydraulic fracturing operations for shale-gas, progressing the planning and permitting for the drilling and subsequent testing of the Springs Road-2 well
- Reviewing the Energy Transition opportunities within the current portfolio, including repurposing of existing wells for geothermal energy

The CCC report and subsequent "net zero" legislation underline the continued future need for gas in the UK, in the medium and longer term as a feedstock for hydrogen combined with CCUS. We believe that the lifecycle CO₂ emissions of gas will become of increasing importance favouring domestically produced gas over higher emission long-distance pipeline or LNG imports and that opportunities will exist to repurpose our sites as part of the energy transition.

Operating Review

continued

Despite the current challenges of COVID-19 and its impact on the UK and worldwide economy, with the breadth and quality of our assets, our strategy and planned activity we remain optimistic in the potential to deliver value for our shareholders in the near to medium term.

Mark Abbott

Managing Director

5 January 2021

Oil and gas reserves and resource estimates

CLASS OF RESERVE/RESOURCE	PROVEN	PROVEN + PROBABLE	PROVEN + PROBABLE + POSSIBLE	UNITS	FIELD/PROSPECT NAME
Net Oil Reserves	0.20	0.39	0.66	MMbbls	Keddington, Fiskerton Airfield, Wressle, Avington

CLASS OF RESERVE/RESOURCE	LOW ESTIMATE	BEST ESTIMATE	HIGH ESTIMATE	UNITS	FIELD/PROSPECT NAME
Net Oil Contingent Resources	0.92	1.65	2.25	MMbbls	Wressle (Penistone), Waddock Cross
Net Oil Prospective Resources (conventional)	11.03	19.83	33.47	MMbbls	Biscathorpe, North Kelsey, Keddington South, Broadmayne and others

CLASS OF RESERVE/RESOURCE	PROVEN	PROVEN + PROBABLE	PROVEN + PROBABLE + POSSIBLE	UNITS	FIELD/PROSPECT NAME
Net Gas Reserves	0.71	1.09	2.04	Bcf	Ceres, Wressle, Nooks Farm

CLASS OF RESERVE/RESOURCE	LOW ESTIMATE	BEST ESTIMATE	HIGH ESTIMATE	UNITS	FIELD/PROSPECT NAME
Net Gas Contingent Resources	33.46	68.08	127.06	Bcf	Resolution, Endeavour, Kirkleatham, Wressle (Penistone)
Net Gas Prospective Resources (conventional)	17.54	43.02	87.32	Bcf	Kirk Smeaton, North Somercotes, Cloughton and others
Net Gas Prospective Resources (unconventional)	1,834.66	3,791.39	8,577.33	Bcf	UK Northern England shale-gas
Total Net Prospective Gas Resources	1,852.20	3,834.41	8,664.65	Bcf	
Total Contingent and Prospective Resources (oil and gas)	326.23	671.90	1,501.00	Mmboe	

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

United Kingdom Licences Summary

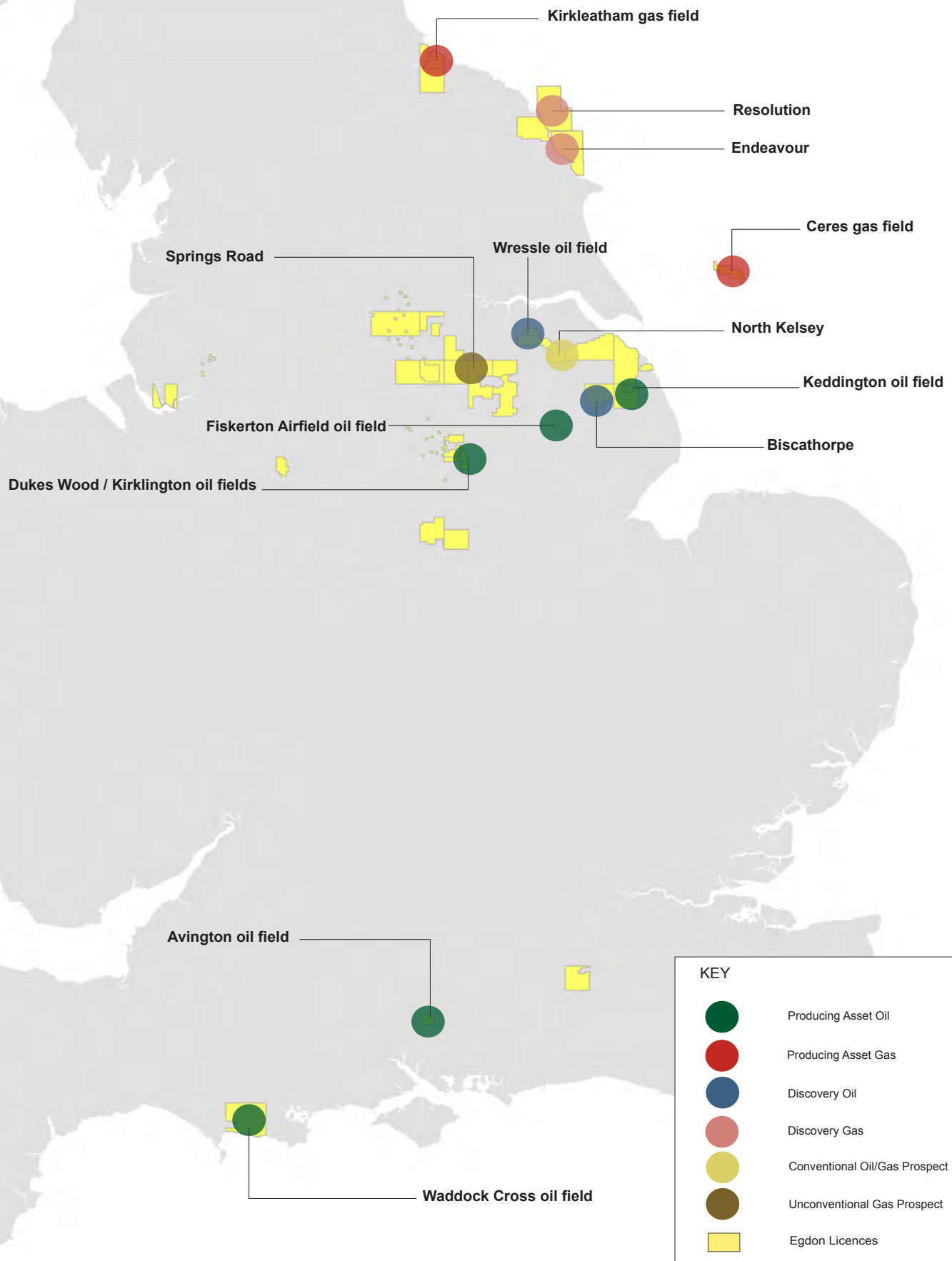
Licences	Operator	Egdon Interest	Area km ²
1 EXL253	Egdon Resources U.K. Limited (Deep Rights)	100.00%	2.90
2 EXL294	Egdon Resources U.K. Limited	80.00%	2.70
3 PL090 (Waddock Cross)	Egdon Resources U.K. Limited	55.00%	19.00
PL090	Egdon Resources U.K. Limited	42.50%	182.98
4 PL161-2	Egdon Resources U.K. Limited (Deep Rights)	100.00%	17.62
5 PEDL001	Egdon Resources U.K. Limited (Deep Rights)	100.00%	11.00
6 PEDL005 (Keddington)	Egdon Resources U.K. Limited	45.00%	7.00
PEDL005 (remainder)	Egdon Resources U.K. Limited	65.00%	16.73
7 PEDL011	Egdon Resources U.K. Limited (Deep Rights)	100.00%	6.00
8 PEDL037	Egdon Resources U.K. Limited (Deep Rights)	100.00%	10.00
9 PEDL039	Egdon Resources U.K. Limited (Deep Rights)	100.00%	3.00
10 PEDL043	Egdon Resources U.K. Limited (Deep Rights)	100.00%	57.00
11 PEDL068	Egdon Resources U.K. Limited	68.00%	35.60
12 PEDL070	Island Gas Limited (Star Energy Group)	28.00%	18.43
13 PEDL118	Egdon Resources U.K. Limited	55.55%	10.54
14 PEDL130	Egdon Resources U.K. Limited (Deep Rights)	100.00%	45.03
15 PEDL139	Island Gas Limited (Star Energy Group)	14.50%	100.00
16 PEDL140	Island Gas Limited (Star Energy Group)	14.50%	141.54
17 PEDL141	Seven Star Natural Gas Limited (Infinis Limited)	46.00%	30.00
18 PEDL143	UK Oil and Gas PLC	18.40%*	91.75
19 PEDL169	Island Gas Limited	20.00%	62.00
20 PEDL180	Egdon Resources U.K. Limited	30.00%	40.00
21 PEDL181	Europa Oil and Gas Limited	25.00%	159.91
22 PEDL182	Egdon Resources U.K. Limited	30.00%	19.00
23 PEDL191	Egdon Resources U.K. Limited (Deep Rights)	100.00%	66.00
24 PEDL201	Egdon Resources U.K. Limited	45.00%	80.00
25 PEDL202	Egdon Resources U.K. Limited (Deep Rights)	100.00%	14.21
26 PEDL203	Egdon Resources U.K. Limited	55.55%	10.52
27 PEDL209	Egdon Resources U.K. Limited	100.00%**	64.11
28 PEDL241	Egdon Resources U.K. Limited	50.00%****	55.00
29 PEDL253	Egdon Resources U.K. Limited	35.80%	95.00
30 PEDL258	Egdon Resources U.K. Limited	100.00%	0.47
31 PEDL259	Third Energy UK Gas Limited	50.00%	139.09
32 PEDL273	Island Gas Limited	15.00%	194.65
33 PEDL278	Island Gas Limited	50.00%	38.00
34 PEDL305	Island Gas Limited	15.00%	143.00
35 PEDL306	Egdon Resources U.K. Limited	30.00%	88.50
36 PEDL316	Island Gas Limited	15.00%	111.19
37 PEDL334	Egdon Resources U.K. Limited	60.00%	162.78
38 PEDL339	Egdon Resources U.K. Limited	65.00%	87.87
39 PEDL343	Third Energy UK Gas Limited	17.50%	110.29
40 P1241	Centrica North Sea Limited	10.00%	42.79
41 P1929	Shell (UK) Limited	30.00%***	201.51
42 P2304	Shell (UK) Limited	30.00%***	164.70

* relinquished post-year end

** on completion of withdrawal of other licence holders

*** post farm-out completed during August 2020

**** following alignment of interests with Union Jack Oil plc during October 2020



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.



Ken Ratcliff
Chairman of Audit Committee

Results

The Group recorded a loss after tax of £4.75 million for the year (2019: £1.72 million) after write-downs, impairments and pre-licence costs amounting in total to £3.03 million (2019: £0.45 million).

Gross revenue from oil and gas production during the year was down 56% to £0.96 million (2019: £2.20 million). This decrease is due to the reduced production from the Ceres, Keddington and Fiskerton wells and compounded by unprecedented weaker commodity prices.

Cost of sales during the year includes a release of the contract asset amounting to £99,704 (2019: £299,132), being the value of back-out gas (as defined in Note 2) delivered to the Group in the year. This represents the full release of this contract asset and no further back-out gas will be delivered to the Group going forward.

Exploration costs written-off and pre-licence costs amounted to £193,953 (2019: £46,279), the increase reflecting future project feasibility work undertaken in the year. Additionally, following on from the normal periodic impairment review of asset values, an impairment charge of £2.84 million has been made in the financial statements (2019: £0.41 million).

The decrease in other cost of sales from £2,123,023 in 2019 to £1,566,397 is primarily due to a reduction in depreciation costs on tangible fixed assets following the decision to impair Ceres and the reduction in costs for shut-in fields as a consequence of careful cost-control.

The reduction in administrative expenses to £956,289 (2019: £1,066,041) is largely due to the temporary reduction in salaries introduced across the Group from April 2020 onwards. This was implemented to reduce pressure on Group cash flow caused by the global COVID-19 pandemic.

Loss per share for the year was 1.53p (2019: 0.64p).

No taxation charge arises on the result for the year. As at 31 July 2020, the Group had carry forward tax losses of £53,587,367

(2019: £50,443,643). The increase in available losses primarily reflects the trading loss and tax allowances related to intangible expenditure in the year.

Statement of financial position

In a challenging environment the Group has maintained a focus on managing its cash resources. At the year end the Group had net current liabilities of £0.33 million (2019: net current assets £1.91 million) of which £0.85 million was cash and cash equivalents (2019: £1.62 million). The year end balance is affected by the timing and quantum of fundraising in the current and prior year with a net cash injection of £0.48 million in April 2020 (2019: £1.97 million in June 2019). The level of fundraising in the year together with reduced revenues as a consequence of both lower commodity prices and lower production rates in 2020 have contributed to a reduction of £0.77 million in the year end cash balance. See Note 2 *Going Concern* for details of post year end funding arrangements.

The year end position is further impacted by the inclusion for the first time of net balances relating to the implementation of IFRS 16, as shown in Notes 16, 18, 20 and 22, that reduce net current assets by £0.09 million. The impact on net assets at the year end is a reduction of £0.05 million. On implementation of IFRS 16 the Group recognised a lease liability, a corresponding right-of-use asset and a receivable for net investment in sub-leases, in relation to leases that had previously been treated as operating leases. Please see the accounting policies in Note 2 for further information on the implementation of IFRS 16 and its effect on the presentation of our financial statements.

The net increase in receivables of £0.16 million represents the impact of IFRS 16 mentioned above and an increase of £0.42 million in amounts to be billed to partners at the year end. These are offset by the release of the Ceres contract asset during the year and a reduction in trade receivables of £0.26 million reflecting reduced production revenues and lower licence activity levels around the year end. Trade and other payables include deferred consideration of £417,000 (2019:

£417,000) in respect of the acquisition in a prior year of the additional 5% interest in PEDL 180 and PEDL 182 and Other taxation and social security of £67,758 (2019: £197,411). Accruals and deferred income includes an amount repayable to the PEDL253 Joint Venture partners upon settlement and receipt of Humber's debt.

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

Key performance indicators

The Group has seen unprecedented falls in commodity prices during the period in response to a warm winter and oversupply of gas and a reduction in global oil demand

driven by COVID-19. This along with an expected decline in production, has led to a reduction in year on year revenues and also impacted the carrying value of certain assets resulting in impairments during the period.

The Directors are disappointed with the results for the year but in the view of the Board, these are due to circumstances outside of the Group's control and are understandable in the context of the weak commodity prices and the wider economic environment.

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

KPIs	FOR THE YEAR ENDING 31 JULY 2020	FOR THE YEAR ENDING 31 JULY 2019	CHANGE %
Revenues	£0.96 million	£2.20 million	(56)%
Total Comprehensive Income (Net Loss)	£(4.75) million	£(1.72) million	(176)%
Cash and cash equivalents	£0.85 million	£1.62 million	(48)%
Net Current (Liabilities)/Assets	£(0.33) million	£1.91 million	(117)%
Equity	£26.67 million	£30.99 million	(14)%
Production Volumes	53,070 boe	66,364 boe	(20)%
No. of Licences	42	44	(5)%
Best Resources Estimate	672 mmboe	677 mmboe	(0.7)%
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 their 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.

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.

On 2 November 2019 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. Egdon along with its industry peers remains committed to working with regulators and the government to demonstrate the scientific case for resumption of shale-gas exploration. With this effort ongoing the Directors consider that it is premature to consider impairment of the carrying value of our core shale-gas assets. This position will continue to be reviewed.

External risks & mitigation

<ul style="list-style-type: none"> Political risk, detrimental regulatory and fiscal changes presenting a high risk both financially and operationally 	<p>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. Pursue an adaptable business model to respond to changes in the political landscape.</p>
<ul style="list-style-type: none"> Oil and gas price volatility presenting a high risk both financially and operationally 	<p>Use range of commodity prices in forecasting. Look to hedging as production volumes and number of fields increase. Maintain low cost of production at existing and future sites.</p>
<ul style="list-style-type: none"> Delays and refusal of planning permission for operation 	<p>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.</p>
<ul style="list-style-type: none"> Civil Unrest/Protestor Action disrupts drilling/ testing operations resulting in time and costs overruns on operations and inability to conduct work as planned 	<p>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.</p>
<ul style="list-style-type: none"> National and international public health or other emergency impacting business operations 	<p>Maintain emergency response plan for office and sites for such events. Ensure IT and other systems enable remote working and business continuity. Ensure contingency within business.</p>

Inherent risks & mitigation

<ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> Continued access to sufficient capital to ensure the business remains a going concern 	Maintain conservative cash flow forecasts and ensure careful management of costs and commitments to match capital available and expected revenue streams. Ensure continued availability of debt and equity funding as appropriate.

Ken Ratcliff,

Chairman of Audit Committee

5 January 2021

Governance

The Directors recognise the importance of sound corporate governance and are committed to maintaining the highest standards.



Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

This section serves as our Section 172 statement and should be read in conjunction with the Strategic Report on pages 1 to 18 and the Corporate Governance section on pages 24 to 29. The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in Section 172 of the UK Companies Act 2006 ("Section 172") which is summarised as follows:

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in so doing have regards (amongst other matters) to:

- The likely consequences of any decision in the long-term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between shareholders of the company.

The Directors are aware of their responsibilities to promote the success of the Company in accordance with Section 172. Additional training and advice will be provided to the Board as required to ensure continued compliance with these duties.

The Board consider, both individually and collectively, that they have acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in Section 172 of the Companies Act 2006) in the decisions taken during the year ended 31 July 2020.

Long term consequences

In assessing the long term consequences of strategic decisions the Board seeks to engage with all of its stakeholders. The stakeholder voice is brought into the boardroom through information provided by management and also by direct engagement with stakeholders themselves at the AGM and through other forms of communication.

Our key stakeholders are our regulators (OGA, EA, HSE, Planning authorities), local communities, shareholders, staff, our joint venture partners and our suppliers and contractors. Egdon engages

directly with all of our regulators and as an active member of UKOOG, the onshore oil and gas industry body, engages on strategic matters with Government and the other regulators. The Company seeks to engage with the communities in which we operate through a dedicated website (www.egdon-community.com) and via Community Liaison Groups (e.g. Biscathorpe) and local newsletters. Egdon engages with its shareholders through release of news via RNS, online presentations and roadshows at its interim and preliminary results, the AGM and through responding to calls and correspondence throughout the year.

The Group's three key strategic objectives underpin all decision-making. Material decisions taken in the year include decisions to develop Wressle, to progress exploration plans at Biscathorpe and North Kelsey and the decision to control costs and to introduce funding during the year and post year end.

In making these material decisions, the Board took conscious steps to identify and take account of the potential impact on key stakeholders and concluded the decisions and anticipated outcomes were aligned with promoting the success of the Company for the benefit of its members.

Interest of employees

Due to the size of the Company, Egdon's employees have direct access to both the Executives and Non-executives to raise any issues or concerns. We endeavour to provide safe working conditions which enable employees to perform well and develop their potential. During this year we have ensured safe working practices in line with Government guidance to minimise the risks associated with COVID-19.

Business relationships

We aim to work responsibly with our joint venture partners and suppliers and have anti-corruption and anti-modern slavery clauses where appropriate in our contracts for materials and services.

Impact of operations

Egdon is fully committed to high standards of Health, Safety and Environmental ("HSE") management, protection and performance. A full HSE report is considered at every board meeting. During the reporting year there were no reportable health and safety incidents and the Company was compliant with all of its environmental permits and planning consents.

Maintaining reputation:

The Board is committed to ensuring that Egdon maintains a high standard for business conduct across all aspects of the business and with all stakeholders.

Corporate Governance Statement

continued

Future Board documents will include a reminder of the principles of S172 to ensure that stakeholder interests are always taken into account. Papers prepared by management for Board approval will highlight relevant stakeholder issues to be considered as part of the decision making.

Acting fairly

The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board will seek to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.

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 has put in place procedures to ensure that the Group is compliant with all laws and guidance in respect of COVID-19. Since March 2020 the Board has met through remote means to maintain social distancing. The impact of COVID-19 on the Group has largely been through its impact on the macro economic environment which has reduced demand for oil and

gas and hence price. The Board has instigated a temporary 20% reduction in salaries to reflect the challenges of the current operating environment.

The Board reviews investor engagement, public relations and health and safety performance as a routine part of every board meeting to ensure these cultural objectives and the principles defined in QCA code principles 2-4, 8 and 10 are being met. The Board currently consists of six Directors, of whom two are Executive and four are Non-executive. The Board believes that the shareholdings of Non-executives are not large enough to render them not independent and that therefore, apart from 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 2020 and concluded that the Board was functioning well. It was noted that matters identified in the 2019 review in respect of formalised reporting of potential conflicts of interest and regular review of the risk register had been addressed. Areas for improvement identified were in relation to ensuring timely provision of Board documentation and diversity of the Board.

The Board meets regularly throughout the year. The table below shows the number of meetings held and the individual director attendance.

	BOARD	AUDIT COMMITTEE	REMUNERATION COMMITTEE
Meetings held during the year to 31 July 2020	10 ¹	2	1
<i>Executive Directors</i>			
Mark Abbott	10	–	–
Martin Durham	8	–	–
<i>Non-Executive Directors</i>			
Philip Stephens	8	2	1
Tim Davies	8	–	–
Ken Ratcliff	8	2	1
Walter Roberts	9	–	1

¹ Two of the meetings were minimally attended in order to give formal approval to matters already approved in outline.

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 1 to 18 of the Report and Financial Statements for the year ended 31 July 2020.

Our strategy is focused around three key near term objectives as detailed on page 5 of the Strategic Report.

The key risks to the business and how these are mitigated are detailed on pages 20 to 21 of the Report and Financial Statements for the year ended 31 July 2020.

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.

Corporate Governance Statement

continued

QCA Code Principle

What Egdon does and why

2. Seek to understand and meet shareholder needs and expectations (continued)

Notwithstanding the current situation resulting from the COVID-19 pandemic, the Board recognises the AGM as an important opportunity to meet private shareholders. Although COVID-19 will mean that the AGM will have limited attendance, the Board intends to seek shareholder questions in advance of the AGM so that they can be addressed.

A presentation will be made available online, providing an update on developments 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 2020.

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 20 to 21 of the Report and Financial Statements for the year ended 31 July 2020 details risks to the business, how these are mitigated and the change in the identified risk over the last reporting year.

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

5. Maintain the Board as a well-functioning, balanced team led by the Chair

What Egdon does and why

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 two Executive Directors and four Non-executive Directors. The Board considers that all Non-executive Directors bring an independent judgement to bear and that their various backgrounds foster consideration of many viewpoints.

The Board meets at least eight 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 in the year to 31 July 2020. Matters of audit planning, accounting judgement and audit risks were considered by the committee during the year and in their meeting with senior representatives from the Company's auditors.

The Chairman of the committee, Ken Ratcliff, advises 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

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 once in each year to consider salary increases for Executive and Non-executive Directors and did so once in the year to 31 July 2020, 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 base remuneration of Executive and Non-executive Directors and senior management, which is detailed in Note 7 of the Financial Statements.

In response to the current operating challenges all staff including the Executive and Non-executive Directors and senior management have taken a temporary salary cut of 20%.

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 keep this under review.

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 three years.

QCA Code Principle

8. Promote a corporate culture that is based on ethical values and behaviours

What Egdon does and why

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

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

What Egdon does and why

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.

Notwithstanding the current situation resulting from the COVID-19 pandemic, 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.

Board of Directors



Philip Stephens
Non-executive Chairman
appointed 21 October 2004



Mark Abbott
Managing Director
appointed 26 August 1997



Martin Durham
Technical Director
appointed 8 January 2019

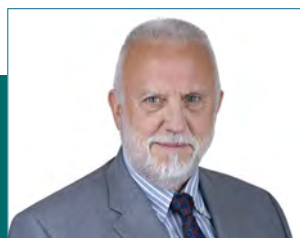
Philip retired from the City in 2002 after nearly 40 years working in UK Corporate Finance for various financial institutions including Lazards, Chase Manhattan and UBS where he was head of UK Corporate Finance. Since 2002 Philip has served on the boards of many companies as a non-executive director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

Mark 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 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 is Past President (2019) of the PESGB.



Walter Roberts
Non-executive Director
and Company Secretary
appointed 30 July 2001



Ken Ratcliff
Non-executive Director
appointed 30 July 2001



Tim Davies
Non-executive Director
appointed 12 April 2019

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

Ken 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 was a long-serving Justice of the Peace and Tier 1 judge in the Family Court until retiring in March 2020 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.

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 25 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.

Directors' Report

The Directors submit their report together with the audited consolidated financial statements of Egdon Resources plc for the year ended 31 July 2020.

Principal activity and business review

The principal activity of the Group during the year continued to be exploration for 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 (2019: None).

Results and dividends

The Group recorded a loss after tax of £4.75 million for the year (2019: £1.72 million).

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

Share capital

At the date of this report 328,315,625 Ordinary shares are issued and fully paid (2019: 303,315,625). During the year 25,000,000 (2019: 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 Coperatif, U.A.*	33.99%
Premier Oil plc	14.11%
Canaccord Genuity Group	9.28%
Hargreaves Lansdown Asset Mgt	4.95%
P Evershed and Clients	3.56%
Mr Mark Abbott	3.62%

* Petrichor shareholding includes that of concert party Jalapeño Corporation's holding

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 30 to 31.

The Directors' remuneration is detailed in Note 7 to the financial statements. All Directors benefit from the provision of Directors' and Officers' indemnity insurance policies. Premiums payable to third parties are described in Note 7.

Financial instruments

The financial risk management objectives and policies of the Company in relation to the use of financial instruments and the exposure of the Company and its subsidiary undertakings to its main risks, credit risk and liquidity risk, are set out in Note 21 to the financial statements.

Employees

The Group had 11 employees as at 31 July 2020 (2019: 11). 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 to 14.

Auditor

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

Going concern

Having completed their going concern assessment the Directors have concluded that it remains appropriate to prepare the financial statements on the going concern basis. However, it is recognised that uncertainties exist in relation to certain of the assumptions and projections made which if they were to differ materially may impact upon the Group's ability to continue as a going concern. Further detail is given in Note 2.

Subsequent events

Note 32 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

5 January 2021

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.

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 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and 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 2020 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 Group and 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 also noted, uncertainty also exists in relation to the approval of the whitewash and authorities to issue shares, and the Company's ability to access further financing as and when required.

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 Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter – Carrying value of unconventional assets

We have considered the adequacy of the disclosures made in Note 14 ("Intangible Fixed Assets") when preparing the annual financial statements, concerning the unconventional assets and the impact on those of the moratorium on hydraulic fracking.

As disclosed in Note 14, following the moratorium the Group concluded that it was appropriate to impair £0.53m of the 'non-core' unconventional assets. The remainder of the unconventional assets have not been impaired, because the Directors believe that it is too early to do so, and there is insufficient information to justify making an impairment. However, the realisation of the value of these assets is dependent upon the moratorium being lifted. Our opinion is not modified in respect of this matter.

Key audit matters

In addition to the matters described in the material uncertainty related to going concern and emphasis of matter sections above, we have 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.

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

continued

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 models are 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;
- considered whether the impairment due to the government moratorium on hydraulic fracturing for shale gas in England was sufficient, and considered the impact of the moratorium on the unconventional assets remaining on the Statement of Financial Position.

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 the value ascribed to that volume.

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 investments" 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 £1,250,000. 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, rounded down to the nearest £250k.

The materiality for the Parent Company financial statements as a whole was set at £1,000,000. 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 2.6% of net assets as presented on the face of the Parent Company's Statement of Financial Position.

An overview of the scope of our audit

The Group had two 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 34, 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.

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

continued

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.

Sancho Simmonds

Senior Statutory Auditor, for and on behalf of	25 Moorgate
Nexia Smith & Williamson	London
Statutory Auditor	EC2R 6AY
Chartered Accountants	

5 January 2021

Consolidated Statement of Comprehensive Income

for the year ended 31 July 2020

	NOTE	2020 £	2019 £
Revenue – continuing	3	963,620	2,196,526
Cost of sales:			
– exploration costs written-off and pre-licence costs		(193,953)	(46,279)
– impairments – Intangible fixed assets		(1,171,591)	–
– impairments – Property, plant and equipment		(1,663,473)	(408,000)
– depreciation		(162,646)	(632,234)
– direct production costs		(1,215,968)	(1,242,118)
– other, including shut-in fields		(187,783)	(248,671)
– release of Ceres contract asset		(99,704)	(299,132)
Total cost of sales		(4,695,118)	(2,876,434)
Gross loss		(3,731,498)	(679,908)
Administrative expenses		(956,289)	(1,066,041)
Other operating income		61,204	77,843
		(4,626,583)	(1,668,106)
Finance income	10	48,212	3,844
Finance costs	11	(169,830)	(52,663)
Loss before taxation	4	(4,748,201)	(1,716,925)
Taxation	12	–	–
Loss for the year		(4,748,201)	(1,716,925)
Other comprehensive income for the year		–	–
Total comprehensive income for the year attributable to equity holders of the parent		(4,748,201)	(1,716,925)
Loss for the year per share			
Basic loss per share	13	(1.53)p	(0.64)p
Diluted loss per share	13	(1.53)p	(0.64)p

The notes on pages 46 to 75 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 July 2020

Company number 06409716

	NOTE	2020 £	2019 £
Non-current assets			
Intangible assets	14	21,451,306	21,780,577
Property, plant and equipment	15	7,986,094	9,696,458
Right-of-use asset	16	709,192	–
Trade and other receivables	18	403,486	–
Total non-current assets		30,550,078	31,477,035
Current assets			
Inventory		5,466	–
Trade and other receivables	18	1,831,859	1,675,003
Cash and cash equivalents	19	847,224	1,617,925
Total current assets		2,684,549	3,292,928
Current liabilities			
Trade and other payables	20	(3,019,375)	(1,378,950)
Net current (liabilities)/assets		(334,826)	1,913,978
Total assets less current liabilities		30,215,252	33,391,013
Non-current liabilities			
Lease liabilities	22	(1,067,844)	–
Provisions	23	(2,477,503)	(2,396,525)
Net assets		26,669,905	30,994,488
Equity			
Share capital	24	15,234,035	14,984,035
Share premium	25	26,967,656	26,742,656
Share-based payment reserve		122,254	113,537
Retained earnings		(15,654,040)	(10,845,740)
		26,669,905	30,994,488

The notes on pages 46 to 75 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 5 January 2021.

Mark Abbott

Managing Director

Company Statement of Financial Position

at 31 July 2020

Company number 06409716

	NOTE	2020 £	2019 £
Non-current assets			
Property, plant and equipment	15	–	–
Right-of-use asset	16	105,727	–
Investments	17	14,172,924	14,172,824
Total non-current assets		14,278,651	14,172,824
Current assets			
Trade and other receivables	18	24,953,499	23,726,845
Cash and cash equivalents	19	43,213	1,066,964
Total current assets		24,996,712	24,793,809
Current liabilities			
Trade and other payables	20	(209,524)	(91,312)
Net current assets		24,787,188	24,702,497
Total assets less current liabilities		39,065,839	38,875,321
Non-current liabilities			
Lease liabilities	22	(84,884)	–
Provisions	23	(20,525)	(20,525)
Net assets		38,960,430	38,854,796
Equity			
Share capital	24	15,234,035	14,984,035
Share premium	25	26,967,656	26,742,656
Merger reserve	26	2,357,816	2,357,816
Share-based payment reserve		122,254	113,537
Retained earnings		(5,721,331)	(5,343,248)
		38,960,430	38,854,796

The notes on pages 46 to 75 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 £384,275 (2019: loss - £399,431).

The financial statements were approved by the Board of Directors and authorised for issue on 5 January 2021.

Mark Abbott

Managing Director

Consolidated Statement of Cash Flows

for the year ended 31 July 2020

	2020 £	2019 £
Cash flows from operating activities		
Loss before tax	(4,748,201)	(1,716,925)
Adjustments for:		
Depreciation and impairments of non-current assets	3,017,334	1,040,234
Increase in decommissioning provision written off to cost of sales	1,996	–
Gain on disposal of fixed assets	(5,058)	–
Reinstatement provision write off	–	(96,862)
Foreign exchange loss	12,594	3,982
(Increase)/decrease in inventory	(5,466)	8,011
Increase in trade and other receivables	(102,840)	(434,515)
Increase in trade and other payables	1,491,576	228,933
Finance costs	169,830	52,663
Finance income	(48,212)	(3,844)
Share based remuneration charge	8,968	10,948
Cash used in operations	(207,479)	(907,375)
Interest paid	–	(39)
Taxation paid	–	–
Net cash flow used in operating activities	(207,479)	(907,414)
Cash flows from investing activities		
Finance income	755	3,844
Payments for exploration and evaluation assets	(842,320)	(2,095,824)
Purchase of property, plant and equipment	(58,713)	(124,086)
Sale of property, plant and equipment	31,376	–
Net cash used in capital expenditure and investing activities	(868,902)	(2,216,066)
Cash flows from financing activities		
Issue of shares	500,000	2,166,540
Costs associated with issue of shares	(25,000)	(192,770)
Principal paid on lease liabilities	(91,481)	–
Interest paid on lease liabilities	(65,230)	–
Interest paid	(15)	–
Net cash flow generated from financing	318,274	1,973,770
Net decrease in cash and cash equivalents	(758,107)	(1,149,710)
Cash and cash equivalents at beginning of year	1,617,925	2,771,617
Effects of exchange rate changes on the balance of cash held in foreign currencies	(12,594)	(3,982)
Cash and cash equivalents at end of year	847,224	1,617,925

The notes on pages 46 to 75 form part of these financial statements.

In 2020 significant non-cash transactions included the recognition of a right-of-use asset, a net investment in sub-lease and a lease liability arising on implementation of IFRS 16 as disclosed in Note 2.

In 2019, significant non-cash transactions comprised of the recognition of the Biscathorpe-2 abandonment provision of £125,125.

Company Statement of Cash Flows

for the year ended 31 July 2020

	2020 £	2019 £
Cash flows from operating activities		
Loss before tax	(384,275)	(399,431)
Adjustments for:		
Depreciation	19,624	–
Increase in trade and other receivables	(1,226,653)	(2,682,420)
Increase in trade and other payables	100,969	26,232
Finance costs	1,287	–
Finance income	–	(2,903)
Share-based remuneration charge	8,968	10,948
Cash used in operations	(1,480,080)	(3,047,574)
Net cash flow used in operating activities	(1,480,080)	(3,047,574)
Cash flows from investing activities		
Finance income	–	2,903
Acquisition of subsidiary	(100)	–
Net cash generated from capital expenditure and financial investment	(100)	2,903
Cash flows from financing activities		
Issue of shares	500,000	2,166,540
Costs associated with issue of shares	(25,000)	(192,770)
Principal paid on lease liabilities	(17,284)	–
Interest paid on lease liabilities	(1,287)	–
Net cash flow generated from financing	456,429	1,973,770
Net decrease in cash and cash equivalents	(1,023,751)	(1,070,901)
Cash and cash equivalents at beginning of year	1,066,964	2,137,865
Cash and cash equivalents at end of year	43,213	1,066,964

The notes on pages 46 to 75 form part of these financial statements.

In 2020 significant non-cash transactions included the recognition of a right of use asset and a lease liability on implementation of IFRS 16 as disclosed in Note 2.

There were no significant non-cash transactions in 2019.

Consolidated Statement of Changes in Equity

for the year ended 31 July 2020

	SHARE CAPITAL £	SHARE PREMIUM £	SHARE- BASED PAYMENT RESERVE £	RETAINED EARNINGS £	TOTAL EQUITY £
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
Impact of adoption of IFRS 16 (see Note 2)	–	–	–	(60,350)	(60,350)
1 August 2019 as restated	14,984,035	26,742,656	113,537	(10,906,090)	30,934,138
Loss for the year	–	–	–	(4,748,201)	(4,748,201)
Total comprehensive income for the year	–	–	–	(4,748,201)	(4,748,201)
Issue of shares	250,000	250,000	–	–	500,000
Share issue costs	–	(25,000)	–	–	(25,000)
Share based payment	–	–	8,968	–	8,968
Transfer on lapse of options	–	–	(251)	251	–
Balance at 31 July 2020	15,234,035	26,967,656	122,254	(15,654,040)	26,669,905

The notes on pages 46 to 75 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 July 2020

	SHARE CAPITAL £	MERGER RESERVE £	SHARE PREMIUM £	SHARE- BASED PAYMENT RESERVE £	RETAINED EARNINGS £	TOTAL EQUITY £
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
Impact of IFRS 16 adoption (see Note 2)	–	–	–	–	5,941	5,941
1 August 2019 as restated	14,984,035	2,357,816	26,742,656	113,537	(5,337,307)	38,860,737
Loss for the year	–	–	–	–	(384,275)	(384,275)
Total comprehensive income for the year	–	–	–	–	(384,275)	(384,275)
Issue of shares	250,000	–	250,000	–	–	500,000
Share issue costs	–	–	(25,000)	–	–	(25,000)
Share based payment	–	–	–	8,968	–	8,968
Transfer on lapse of options	–	–	–	(251)	251	–
Balance at 31 July 2020	15,234,035	2,357,816	26,967,656	122,254	(5,721,331)	38,960,430

The notes on pages 46 to 75 form part of these financial statements.

Notes Forming Part of the Financial Statements

for the year ended 31 July 2020

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.

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 and the Company will continue in operational existence without significant curtailment of its activities for the foreseeable future.

2020 has been a year of uncertainty for the oil and gas industry as a whole characterised by weak oil and gas prices and an uncertain operating and economic environment driven by COVID-19 and the Government's response. Understandably, Egdon has not been immune to these considerable uncertainties.

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 other existing producing sites. Whilst there is currently no evidence that the timing or value of these revenues is unrealistic, the Directors acknowledge that delays in bringing assets to production, along with volatility in both oil and gas prices and realising of amounts invoiced to joint venture partners, give some level of uncertainty in respect of the timing of future cash flows.

Uncertainty currently exists in relation to the approval by shareholders of the whitewash and authorities to issue shares in respect of the convertible loan notes to raise £1.05 million before costs where the documentation was finalised on the 5 January 2021 as detailed in the Subsequent Events Note on page 75. Having taken advice, the Board considers that this course of action is in the best interests of the business and anticipates that approval will be given at the forthcoming General Meeting.

The Group has recently secured a £1.00 million debt facility as detailed in the Subsequent Events Note on page 75. The Group also requires further funding to be raised and plans to access additional sources of funding via debt and/or equity to fund certain future activities. Whilst, after having made enquiries of our advisors, there is a high expectation on the part of the Directors that such debt and/or equity will be available in the market as and when required, a level of uncertainty exists in relation to this.

The Group has flexibility in relation to the timing and quantum of future expenditures and will continue to look to balance financial exposure and risk by minimising its exposure to future cash expenditure on existing projects during the coming period.

After preparing cash flow forecasts, making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Group will have access to 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 in acknowledging the combination of adverse circumstances outlined above, it is appropriate to recognise that they 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.

However, after making enquiries and considering the relevant uncertainties, the Directors have a reasonable expectation that the Group and the Company will have access to adequate resources to continue in operational existence for the foreseeable future and have prepared the financial statements on that basis.

Going concern – Implications of COVID-19 pandemic

The coronavirus pandemic represents a significant national and international public health emergency. The primary concern and focus for the Company is the health and safety of our employees, contractors and other stakeholders. In this regard, Egdon's office-based employees have been working from home since March 2020 and will continue to do so until Government guidance changes.

At our well sites we have established procedures and plans to ensure continued safe operations are maintained in full compliance with existing Government regulations and guidelines. Oil and gas workers are considered by the Government to be 'key workers'. As such, travel to and from site remains unrestricted as does the transportation of produced oil to the nearby refinery. We will continue to monitor the situation and act within Government guidelines as matters develop, but at this stage do not anticipate any adverse impacts to our production operations.

Our plans for drilling at North Kelsey (PEDL241: Egdon 50%) have been adversely impacted by COVID-19. We have received approval from Lincolnshire Council for an extension to the current planning to 31 December 2021 to enable works to be undertaken during 2021. We do not anticipate that this delay will have a significant negative impact on the cash flow position of the Group, and therefore on its ability to continue to operate as a going concern. Predicted future cash flows are dependent upon current timing assumptions on certain projects which should operating conditions deteriorate could be negatively impacted. However, at the present time we have a reasonable expectation that there will be no significant adverse impact on timing from the pandemic.

Adoption of new and revised standards

a) New standards, interpretations and amendments effective from 1 January 2019

New standards impacting the Group that have been adopted in the financial statements for the year ended 31 July 2020 are as follows:

IFRS 16 Leases

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 August 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 August 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- (a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- (c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

Lease payments relating to leases previously accounted for as operating leases were spread on a straight-line basis over the lease term with the total lease commitment disclosed in the financial statements. The operating lease cost for the year ended 31 July 2019 was £158,595.

From 1 August 2019, right-of-use assets are recognised in the financial statements at the carrying value that would have resulted from IFRS 16 being applied from the commencement date of the leases, subject to the practical expedients noted above.

At 31 July 2019, operating lease commitments amounted to £2,181,703 and this is not materially different to the undiscounted lease liability at 1 August 2019. From 1 August 2019, lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 August 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 10%.

The lease liability of £1.22 million as at 31 July 2020 represents the full discounted value of leases entered into by the Group as operator in a joint arrangement. Where the Group is operator in a joint arrangement the Directors assess whether there is any obligation for the other parties to fulfil payment towards the lease entered into by the Group under the joint arrangement. In order to recognise the obligation of the other parties to the joint arrangement to fulfil their payment commitments under the joint operating agreement, a separate net investment in sub-lease asset has been created. This asset is recognised at the discounted value of the liability to be settled by such other parties of £0.46 million as at 31 July 2020; subsequently it is increased by the unwinding of the discount and reduced by receipts from the other parties to the joint venture arrangements.

Notes Forming Part of the Financial Statements

continued

2 Accounting Policies (continued)

It has been noted that due to a change in assumptions and measurement method the effect of IFRS 16 on adoption has been restated from that disclosed in the interim financial information as at 31 January 2020. The total impact to retained earnings on adoption was reported as a credit of £44,727 as at 31 January 2020. As at 31 July 2020 this value has been restated to a debit of £60,350.

The following table summarises the impacts of adoption of new reporting standards on the Group's financial statements:

	31 JULY 2019 AS ORIGINALLY PRESENTED £	IFRS 16 £	1 AUGUST 2019 AS RESTATED £
Non-current assets			
Intangible assets	21,780,577	–	21,780,577
Property, plant and equipment	9,696,458	–	9,696,458
Right-of-use asset	–	635,929	635,929
Trade and other receivables	–	457,502	457,502
Total non-current assets	31,477,035	1,093,431	32,570,466
Current assets			
Trade and other receivables	1,675,003	48,388	1,723,391
Cash and cash equivalents	1,617,925	–	1,617,925
Total current assets	3,292,928	48,388	3,341,316
Current liabilities			
Trade and other payables	(1,378,950)	(123,437)	(1,502,387)
Net current assets	1,913,978	(75,049)	1,838,929
Total assets less current liabilities	33,391,013	1,018,382	34,409,395
Non-current liabilities			
Provisions	(2,396,525)	–	(2,396,525)
Lease liabilities	–	(1,078,732)	(1,078,732)
Net assets	30,994,488	(60,350)	30,934,138
Equity			
Share capital	14,984,035	–	14,984,035
Share premium	26,742,656	–	26,742,656
Share-based payment reserve	113,537	–	113,537
Retained earnings	(10,845,740)	(60,350)	(10,906,090)
	30,994,488	(60,350)	30,934,138

The following table summarises the impacts of adoption of new reporting standards on the Company's financial statements:

	31 JULY 2019 AS ORIGINALLY PRESENTED £	IFRS 16 £	1 AUGUST 2019 AS RESTATED £
Non-current assets			
Property, plant and equipment	–	–	–
Right-of-use asset	–	17,832	17,832
Investments	14,172,824	–	14,172,824
Total non-current assets	14,172,824	17,832	14,190,656
Current assets			
Trade and other receivables	23,726,845	–	23,726,845
Cash and cash equivalents	1,066,964	–	1,066,964
Total current assets	24,793,809	–	24,793,809
Current liabilities			
Trade and other payables	(91,312)	(11,891)	(103,203)
Net current assets	24,702,497	(11,891)	24,690,606
Total assets less current liabilities	38,875,321	5,941	38,881,262
Provisions	(20,525)	–	(20,525)
Net assets	38,854,796	5,941	38,860,737
Equity			
Share capital	14,984,035	–	14,984,035
Share premium	26,742,656	–	26,742,656
Merger reserve	2,357,816	–	2,357,816
Share-based payment reserve	113,537	–	113,537
Retained earnings	(5,343,248)	5,941	(5,337,307)
	38,854,796	5,941	38,860,737

Reconciliation of minimum lease commitment to lease liabilities:

	1 AUGUST 2019 £
Minimum operating lease commitment at 31 July 2019	2,181,703
Less: adjustments as a result of a different treatment of extension and termination options	(164,000)
Undiscounted lease payments	2,017,703
Less: effect of discounting	(815,534)
Lease liability as at 1 August 2019	1,202,169

b) New standards, interpretations and amendments not yet effective

There are a number of standards, interpretations and amendments to existing standards which have been issued by the International Accounting Standards Board that are effective in future accounting periods, but are not mandatory for 31 July 2020 reporting periods. These standards are effective from 1 January 2020, are not expected to have a material impact on the entity in the current or future reporting periods and have not been early adopted by the Group. The most significant of these are shown below:

- IAS 1 and IAS 8 Definition of Material;
- IFRS 3 Definition of a Business – Amendments to IFRS 3; and
- The Conceptual Framework for Financial Reporting.

Notes Forming Part of the Financial Statements

continued

2 Accounting Policies (continued)

Basis of consolidation

The Group financial statements incorporate the financial statements of Egdon Resources plc (the "Company") and entities controlled by the Company prepared to 31 July each year. Control is achieved where the Company 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 2019 financial statements included a contract asset in respect of this back-out gas totalling £99,704 (2020: £Nil). This contract asset was recorded at the best estimate of the price that was expected to be achieved when the back-out gas was recovered, movements in the value of the contract asset were reflected in costs of sales in the prior year.

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.

Notes Forming Part of the Financial Statements

continued

2 Accounting Policies (continued)

Property, plant and equipment – development and production assets

Development and production ("D&P") assets are accumulated into cost centres and represent the cost of developing the commercial reserves and bringing them into production together with the E&E expenditures previously transferred from E&E assets as outlined in the policy above.

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
Right-of-use asset	–	Over the lease term

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.

Leases

The Group as a lessee

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 August 2019. As such, the 2019 comparatives have not been restated.

For the year ended 31 July 2019, the Group had operating leases which were accounted for as follows:

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

From 1 August 2019, the Group has adopted IFRS 16 and accounted for leases as follows:

The Group assesses whether a contract is or contains a lease, at the inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as those with a value below £1,000 at inception). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is included in 'Trade and other payables' in the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed in which case the lease liability is re-measured by discounting the revised lease payments using the initial discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in full in profit or loss in the year in which the impairment is identified.

For leases that occur under a Joint Operating Agreement ("JOA"), where the Group is the lead operator and holds the lease obligation with the lessor, the Group recognises the lease liability in full, but applies IFRS 11 to identify if the right-of-use asset is shared between the partners under the JOA. The Group therefore recognises the portion of the lease liability attributable to the partners under the JOA separately as a net investment in a sub-lease in the Group's Statement of Financial Position. The net investment in sub-lease is treated as a receivable and split between short and long term receivables, in line with the terms of the corresponding lease. Subsequently the net investment in sub-lease is measured by reflecting the movements on the corresponding lease, primarily reducing the receivable balance by the value of the payments received from joint partners. Increases in the receivable are recognised as interest receivable in the Statement of Comprehensive Income, calculated using the effective interest rate method.

Notes Forming Part of the Financial Statements

continued

2 Accounting Policies (continued)

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. Lease receivables relate entirely to net investment in sub-leases, the recognition and measurement of which has been disclosed within the Leases accounting policy above. 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 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.

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
- Estimating the present value of lease liabilities and the associated right-of-use asset

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.

Notes Forming Part of the Financial Statements

continued

2 Accounting Policies (continued)

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 17 and 18, 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.

Leases

Assessing the length of the lease

In assessing the length of a lease in respect of exploration and evaluation and development and production assets, the Directors have considered whether 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.

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 in both 2020 and 2019 of impairments as disclosed in Notes 14 and 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 cash flows. Where there is no expectation that a licence will not be renewed no adjustment is made to the future expected cash flow.

Government moratorium

Management considers the likely impact of the Government moratorium on hydraulic fracturing when assessing future expected cash flows. Given the ongoing dialogue between the Group, its industry peers, the OGA and other regulators, the Directors have reviewed the unconventional licence portfolio and have impaired certain less prospective and/or non-core licences; as disclosed in Note 14 but no significant adjustment to future cash flows has been made in respect of its core unconventional licence interests.

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 re-measured where the additional consideration is equity. Trade and other payables include a liability of £417,000 (2019: £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 23.

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 2019 financial statements included 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 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 2020 is £Nil (2019: £99,704).

Leases

Determining the discount rate

In determining the discount rate, the Directors have considered the borrowing rates implicit in the lease agreements. In the absence of implicit borrowing rates, the Directors have determined that an interest rate of 10% is a fair representation of the Group's incremental borrowing rate and this rate has been used to calculate the present value of lease liabilities and the associated right-of-use asset.

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 2020 financial year. In 2019 an abandonment provision no longer required in respect of the Mairy prospect was released following the closure of French operations.

No information relating to the Group's operating segments has been presented for the year ended 31 July 2020 or the year ended 31 July 2019 due to the immaterial nature of the amounts associated with the French operations in both years.

Revenue of the Group for the year has been derived from the sale of oil and gas which has been extracted from wells in the UK during production. Oil is a commodity product and can be sold to a number of customers on industry-standard terms. For reasons of operational convenience, 79% (2019: 59%) 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 2020 and 2019 gas from the Group's producing field was sold to only one customer at any point in time.

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

	2020 £	2019 £
Revenue from gas sales	693,527	1,697,117
Revenue from oil sales	270,093	499,409
	963,620	2,196,526

Notes Forming Part of the Financial Statements

continued

4 Loss before Taxation

	2020 £	2019 £
The loss for the year before taxation is stated after charging/(crediting):		
Auditor's remuneration (see Note 5)	65,371	54,550
Depreciation	182,270	632,234
Impairments – intangible fixed assets	1,171,591	–
Impairments – property, plant and equipment	1,663,473	408,000
Gain on disposal of assets	(5,058)	–
Exploration and appraisal costs written-off	–	(2,490)
Pre-licence costs expensed	193,953	48,769
Foreign exchange loss	12,594	3,982
Share based payment	8,968	10,948
Operating lease rentals:		
– land and buildings (in administrative expenses)*	–	25,000
– leases on operational sites (in costs of sales)*	–	133,595

* IFRS 16 has been applied from 1 August 2019 under which all leases have been recognised as finance leases, therefore no operating lease rental charges have been recognised through the Statement of Comprehensive Income. Please see Note 2 for details of the accounting policy for leases under IFRS 16.

5 Auditor's Remuneration

	2020 £	2019 £
Audit services:		
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	20,350	16,320
Other services:		
The auditing of financial statements of subsidiaries of the Company	31,545	32,130
Audit related assurance services	6,400	3,900
All other services	7,076	2,200
Total audit and other services	65,371	54,550

6 Employee Information

	2020 £	2019 £
Employee costs for the Group and Company during the year amounted to:		
Wages and salaries	749,187	838,079
Social security costs	93,750	104,054
Pension costs	51,837	75,853
	894,774	1,017,986

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

	2020 NUMBER	2019 NUMBER
Management and administration	11	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.

	2020 £	2019 £
Group and Company		
Directors' emoluments	411,600	413,767
Medical cover	5,483	4,240
Employer's national insurance contributions	51,062	66,081
Short-term employment benefits	468,145	484,088
Post-employment benefits	39,431	55,827
Share based payment attributable to Directors	4,291	5,238
	511,867	545,153

The emoluments and compensation of individual Directors were as follows:

	SALARY AND FEES £	BONUS £	MEDICAL £	PENSION (NOTE 9) £	TOTAL 2020 £	TOTAL 2019 £
M Abbott	183,584	–	2,546	8,867	194,997	205,986
P Stephens	40,125	–	–	–	40,125	45,000
K Ratcliff	26,750	–	–	–	26,750	30,000
W Roberts	5,600	–	–	23,564	29,164	32,815
J Field (resigned 8 January 2019)	–	–	–	–	–	48,126
A Lodge (resigned 12 April 2019)	–	–	–	–	–	13,333
M Durham (appointed 8 January 2019)	137,708	–	2,937	7,000	147,645	93,574
T Davies (appointed 12 April 2019)	17,833	–	–	–	17,833	5,000
	411,600	–	5,483	39,431	456,514	473,834

The emoluments of the highest paid Director excluding pension contributions were £186,130 (2019: £180,041). Pension contributions include contributions made under a salary sacrifice arrangement totalling £Nil (2019: £17,070).

Life policy and critical illness premiums of £5,378 (2019: £5,378) were paid in respect of the Managing Director and Directors' indemnity insurance premiums of £14,905 (2019: £11,307) were paid in respect of all Directors.

Notes Forming Part of the Financial Statements

continued

7 Remuneration of Directors and Key Management (continued)

Directors' share options outstanding at 31 July 2020 and at 31 July 2019:

	EXERCISE PRICE (P)	NUMBER OF OPTIONS	DATE GRANTED	VESTING DATE
Options awarded in the current year				
No options awarded in the current year				
Options awarded in prior years and still extant as at 31 July 2020				
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 Durham	22.75	659,341	18/08/2014	01/08/2016
M Abbott	9.70	979,381	16/11/2015	01/08/2016
M Durham	9.70	773,196	16/11/2015	01/08/2016
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 extant as at 31 July 2019, but lapsing or forfeited in the current year

No options lapsed in respect of Directors' share options in the current year

No Director is entitled to receive any shares under the terms of any long-term incentive scheme in respect of qualifying services other than as noted above.

8 Share-Based Payment Plans

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

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

	NUMBER AT DATE OF GRANT	GRANT DATE	EXPIRY DATE	PRICE	VESTING DATE
Options awarded in the current year					
No options were awarded in the current year					
Options awarded in prior years and still extant as at 31 July 2020					
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
Granted on 24 January 2019	4,526,561	24/01/2019	01/01/2030	7.85p	01/01/2020
Options extant as at 31 July 2019, but lapsing or forfeited in the current year					
Granted on 24 January 2019	57,134	24/01/2019	01/01/2030	7.85p	01/01/2020

The exercise price is determined as the average middle-market closing price on the three days preceding the grant. The options do not have a cash settlement alternative. Options vest for all grantees that remain in service at the vesting date.

The fair value of equity settled share options granted is estimated as at the date of grant using a Black–Scholes option pricing model, taking into account the terms and conditions upon which the options were granted.

The 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 following table lists the inputs into the model for the share options granted in the prior year:

	24/01/2019
Grant date share price (pence)	7.85
Expected 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

	2020 NUMBER	2020 WAEP (PENCE)	2019 NUMBER	2019 WAEP (PENCE)
Opening balance	11,183,483	11.27	9,881,810	13.21
Granted during the year	–	–	4,526,561	7.85
Lapsed during the year	(57,134)	7.85	(3,224,888)	12.40
Exercised during the year	–	–	–	–
Outstanding at 31 July 2020	11,126,349	11.29	11,183,483	11.27

The weighted average remaining contractual life of share options outstanding as at 31 July 2020 is 7.00 years (2019: 7.79 years). At 31 July 2020, 11,126,349 (2019: 6,656,921) of the total number of share options outstanding could be exercised and these options had a weighted average exercise price of 11.29 pence (2019: 13.60 pence).

9 Defined Contribution Pension Plan

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

The total cost in the year of £28,273 (2019: £35,568) 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

	2020 £	2019 £
Interest receivable on net investment in sub-lease	47,457	–
Interest receivable on short-term deposits	755	3,844
	48,212	3,844

11 Finance Costs

	2020 £	2019 £
Unwinding of decommissioning discount	56,373	52,624
Other finance charges	15	39
Interest on lease liabilities	113,442	–
	169,830	52,663

Notes Forming Part of the Financial Statements

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12 Income Tax

The major components of income tax expense for the years ended 31 July 2020 and 2019 are:

	2020 £	2019 £
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 2020 and 2019 is as follows:		
Accounting loss before tax from continuing operations	(4,748,201)	(1,716,925)
Loss multiplied by the standard rate of tax of 19.00% (2019: 19.00%)	(902,158)	(326,216)
Expenses not permitted for tax purposes	10,711	9,947
Movement in unrecognised deferred tax assets	891,447	316,269
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 £53,587,367 (2019: £50,443,643) 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 £9,058,062 (2019: £7,767,286) at the year end, calculated at a rate of 30% (2019: 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 2020 is based on the rate applicable to ring-fenced activities as for 2019. This is represented by accumulated tax losses of £53,587,367 (2019: £50,443,643) and short-term timing differences in respect of provisions of £2,456,978 (2019: £2,376,000) offset by accelerated capital allowances of £25,850,803 (2019: £26,928,690).

13 Loss Per Share

Basic loss per share	2020 £	2019 £
Loss for the financial year	(4,748,201)	(1,716,925)
Basic weighted average Ordinary shares in issue during the year	309,822,474	266,870,265
	PENCE	PENCE
Basic loss per share	(1.53)	(0.64)
Diluted loss per share	2020 £	2019 £
Loss for the financial year	(4,748,201)	(1,716,925)
Diluted weighted average Ordinary shares in issue during the year	309,822,474	266,870,265
	PENCE	PENCE
Diluted loss per share	(1.53)	(0.64)

The share options are not dilutive in 2020 or 2019 as a loss was incurred.

14 Intangible Fixed Assets

Group	EXPLORATION AND EVALUATION COSTS £	OTHER INTANGIBLES £	TOTAL £
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
Additions	842,320	–	842,320
Impairment charge	(1,171,591)	–	(1,171,591)
At 31 July 2020	21,321,347	129,959	21,451,306
Net book value			
At 31 July 2020	21,321,347	129,959	21,451,306
At 31 July 2019	21,650,618	129,959	21,780,577
At 31 July 2018	19,441,749	129,959	19,571,708

Exploration and evaluation costs

Exploration and evaluation costs represent the Group's unevaluated oil and gas interests at 31 July 2020. 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 17. 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 key inputs into the net present value calculations are a discount rate of 10% (2019: 10%) and gas prices per therm of 26.5p – 40p (2019: 50p) or oil prices per barrel of US\$43 – US\$60 (2019: US\$65). 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 estimate of the forward curve in July 2020 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.

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. In light of the moratorium and updated technical information the Directors have reviewed the portfolio of unconventional assets and believe it prudent and appropriate to impair certain less prospective and/or non-core licences at this time. These comprise licences in the so-called Welbeck Low in the East Midlands and in NW England and include PEDLs 001, 039, 130, 202 and EXL253. These impairments total £0.53 million.

However, the Directors have also considered the potential impact of the moratorium on the Group's assets in its core area of the Gainsborough Trough. Activity in the basin is currently on pause. The Directors remain optimistic that it will be possible to demonstrate that hydraulic fracturing for shale-gas in this core basin can be undertaken in a safe and environmentally responsible manner and that this will result in the lifting of the hydraulic fracturing moratorium. As at 31 July 2020, the book value of the Group's unconventional assets was £15.15 million (2019: £15.29 million).

Notes Forming Part of the Financial Statements

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14 Intangible Fixed Assets (continued)

The Directors have also agreed upon an impairment for the PEDL 143 licence on the basis that the new operator was unable to identify a suitable drilling location in the Holmwood area and has therefore relinquished the licence. This impairment is for the full value of the asset (£0.64 million). The total value of impairments is therefore £1.17 million (2019 - £Nil).

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 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
Additions	81,323	–	–	81,323
Disposals	(26,318)	–	–	(26,318)
At 31 July 2020	21,323,570	34,919	103,911	21,462,400
Depreciation				
At 1 August 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
Charge for the year	98,846	3,050	–	101,896
Impairments	1,663,473	–	–	1,663,473
At 31 July 2020	13,341,031	31,364	103,911	13,476,306
Net book value				
At 31 July 2020	7,982,539	3,555	–	7,986,094
At 31 July 2019	9,689,853	6,605	–	9,696,458
At 31 July 2018	10,533,573	–	–	10,533,573

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 26.5p - 40p (2019: 50p), or oil prices per barrel of US\$43 – US\$60 (2019: US\$65) and a discount rate of 10% (2019: 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 2020 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 £5.98 million (2019: £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

An impairment charge of £506,903 (2019 - £Nil) has been recognised in relation to the Ceres Gas Field. The impairment arises as a consequence of the current gas price forecast and operating pattern which has caused the Ceres production to become uneconomical. Based on the impairment reviews, the pre-tax value in use of the Ceres Gas Field as at 31 July 2020 is £Nil (2019 - £695,000) and the asset has been fully impaired to reflect this.

An impairment charge of £1,156,570 (2019 - £Nil) has been recognised in relation to the Dukes Wood and Kirklington oil fields. The impairment arises as a consequence of the level of investment required in order for the fields to operate economically and the challenging outlook for the E&P farm-out space. Based on the impairment reviews, the pre-tax value in use of Dukes Wood and Kirklington oil fields as at 31 July 2020 is £Nil (2019 - £1,548,000) and the assets have been fully impaired to reflect this.

Prior year

The impairment charge of £408,000 related to the Fiskerton Airfield Oil Field. The impairment arose 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 was estimated at £0.22 million and the book value of the asset was reduced to this amount. Any reduction in the net present value of future cash flow forecasts resulting from changes in key estimates was expected to result in a further impairment charge.

Company	COMPUTER EQUIPMENT £	TOTAL £
Cost		
At 1 August 2018	27,168	27,168
Additions	-	-
At 31 July 2019	27,168	27,168
Additions	-	-
At 31 July 2020	27,168	27,168
Depreciation		
At 1 August 2018	27,168	27,168
Charge for the year	-	-
At 31 July 2019	27,168	27,168
Charge for the year	-	-
At 31 July 2020	27,168	27,168
Net book value		
At 31 July 2020	-	-
At 31 July 2019	-	-
At 31 July 2018	-	-

Notes Forming Part of the Financial Statements

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16 Right-of-Use asset

Group	RIGHT OF USE ASSET – PROPERTY £	RIGHT OF USE ASSET – EXPLORATION AND EVALUATION ASSETS £	RIGHT OF USE ASSET – DEVELOPMENT AND PRODUCTION ASSETS £	TOTAL £
Cost				
At 31 July 2019	–	–	–	–
Impact of adoption of IFRS 16	17,832	192,557	425,540	635,929
At 1 August 2019 as restated	17,832	192,557	425,540	635,929
Additions	107,519	–	46,118	153,637
At 31 July 2020	125,351	192,557	471,658	789,566
Depreciation				
At 31 July 2019	–	–	–	–
Charge for the year	19,624	11,088	49,662	80,374
At 31 July 2020	19,624	11,088	49,662	80,374
Net book value				
At 31 July 2020	105,727	181,469	421,996	709,192
At 31 July 2019	–	–	–	–

Company	RIGHT OF USE ASSET – PROPERTY £	TOTAL £
Cost		
At 31 July 2019	–	–
Impact of adoption of IFRS 16	17,832	17,832
At 1 August 2019 as restated	17,832	17,832
Additions	107,519	107,519
At 31 July 2020	125,351	125,351
Depreciation		
At 31 July 2019	–	–
Charge for the year	19,624	19,624
At 31 July 2020	19,624	19,624
Net book value		
At 31 July 2020	105,727	105,727
At 31 July 2019	–	–

17 Investments in Subsidiaries

Company	SHARES IN SUBSIDIARY UNDERTAKINGS £	LOANS TO SUBSIDIARY UNDERTAKINGS £	TOTAL £
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
Additions	100	–	100
Balance at 31 July 2020	9,138,100	5,034,824	14,172,924

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
Erstor Limited*	England	Ordinary	100

* Held directly.

All active 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.

Erstor Limited was incorporated on 16 June 2020 and was dormant throughout the period.

18 Trade and Other Receivables

	GROUP 2020 £	GROUP 2019 £	COMPANY 2020 £	COMPANY 2019 £
Amounts falling due after more than one year:				
Net investment in sub-lease (Note 22)	403,486	–	–	–
	403,486	–	–	–
Amounts falling due within one year:				
Trade receivables – balances due from customer contracts	45,897	74,856	–	–
Trade receivables – balances due from joint venture partners	939,056	1,172,272	–	–
Amounts owed by subsidiaries	–	–	24,906,048	23,638,822
VAT recoverable	53,158	–	14,383	24,503
Other receivables	63,419	75,285	–	–
Prepayments	676,313	252,886	33,068	63,520
Ceres contract asset	–	99,704	–	–
Net investment in sub-lease (Note 22)	54,016	–	–	–
	1,831,859	1,675,003	24,953,499	23,726,845

During the prior 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 £0.78 million. This amount is still outstanding as at 31 July 2020 and is shown in the table below as over six months past due. On 25 August 2020, on receipt of funds from Humber Oil and Gas Limited in accordance with the settlement agreement, this debtor was cleared in full. See Note 32 for further details.

Notes Forming Part of the Financial Statements

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18 Trade and Other Receivables (continued)

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 21.

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 2020 no trade receivables were considered to be impaired (2019: £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 2020 trade receivables of £958,243 (2019: £1,073,129) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2020 £	2019 £
Up to three months past due	41,637	11,075
Three to six months past due	33,416	186,813
Over six months past due	883,190	875,241
	958,243	1,073,129

The above past due balances include £0.78 million due from Humber Oil & Gas Limited. Subsequent to 31 July 2020, pursuant to a settlement agreement with Humber Oil and Gas Limited, this balance has been cleared in full. Of the remaining balance, 45% has been received prior to the date of this report. It is expected that the remaining balances will have been cleared by 31 July 2021.

Other receivables do not contain impaired assets.

19 Cash and Cash Equivalents

	GROUP 2020 £	GROUP 2019 £	COMPANY 2020 £	COMPANY 2019 £
Short-term bank deposits	716,235	146,244	109	109
Restricted cash at bank	–	207,647	–	–
Cash at bank	130,989	1,264,034	43,104	1,066,855
	847,224	1,617,925	43,213	1,066,964

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.

The 2019 balance for Restricted cash at bank represented funds held in escrow accounts under arrangements relating to decommissioning and similar obligations at Keddington. Agreements renegotiated in 2020 have resulted in no ongoing requirement to hold these amounts in escrow and balances previously disclosed as Restricted cash at bank are now shown with Cash at bank.

20 Trade and Other Payables

	GROUP 2020 £	GROUP 2019 £	COMPANY 2020 £	COMPANY 2019 £
Amounts falling due after more than one year:				
Lease liabilities (Note 22)	1,067,844	–	84,884	–
	1,067,844	–	84,884	–
Amounts falling due within one year:				
Trade payables	1,649,969	758,202	43,933	31,979
Other taxation and social security	67,758	197,411	67,758	–
Other payables	7,254	6,154	1,199	–
Accruals and deferred income	1,145,545	417,183	79,391	59,333
Lease liabilities (Note 22)	148,849	–	17,243	–
	3,019,375	1,378,950	209,524	91,312

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

21 Financial Assets and Liabilities

The Group's objective is to minimise financial risk. The 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 (£2,819,614, 2019: £3,026,724) and liabilities (£4,019,461, 2019: £1,181,539) 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 £847,224 (2019: £1,617,925) and the Company £43,213 (2019: £1,066,964). The balances at 31 July 2020 are held with one bank (2019: one). Trade receivables comprise amounts due from trading entities and total £984,953 (2019: £1,247,128) for the Group and £Nil (2019: £Nil) for the Company (Note 18). Trade receivables are mainly due from joint venture partners and the purchasers of the Group's produced oil and gas. For joint venture partners, the Group would have alternative means of recourse in the event of any credit default. The purchasers of the Group's oil and gas production are substantial companies or subsidiaries of major international companies. At the year end, the total exposure to credit risk was £1,882,177 (2019: £3,026,724); Company £29,984,085 (2019: £29,740,610). 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, including the net investment in sub-lease, 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 has 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.

Notes Forming Part of the Financial Statements

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21 Financial Assets and Liabilities (continued)

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 20, held at amortised cost, which total £2,802,768 (2019: £1,181,539). Of this balance, £2,335,768 (2019: £604,539) is due within one to two months. Lease liabilities have been excluded from this figure as they represent discounted cash flows. The contractual maturities are shown separately in Note 22. Additionally, the Group has a liability under a Net Profit Interest agreement where £Nil (2019: £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 19.

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 £7,162 (2019: £3,539).

The Group's lease liabilities are categorised as fixed rate liabilities. The Group had no other fixed rate liabilities and no floating rate liabilities in 2020 or 2019.

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 2020 was £158,415 (2019: £137,668); Company £Nil (2019: £Nil). There were no financial liabilities denominated in foreign currencies at 31 July 2020 or 31 July 2019.

A 10% change in the sterling exchange rate would result in an increase or decrease of £15,841 (2019: £13,767) 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 2020 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 was recognised at a price of 50p per therm in 2019 as an approximation to the selling price that was expected to be achieved when the revenue was realised. If the gas price at the point of sale were to vary by +/- 10%, income recognised in respect of historic production would have increased or decreased by £9,970. The contract asset was fully realised during the year ended 2020.

22 Leases

Group as a lessee

See Note 2 *Adoption of new and revised standards* for nature of leases undertaken by the Group and Company

Group	2020 £
Lease liabilities are due as follows:	
Not later than one year	148,849
Between one year and five years	458,462
More than five years	609,382
Total	1,216,693
Net investment in sub-lease are due as follows:	
Not later than one year	54,016
Between one year and five years	150,044
More than five years	253,442
Total	457,502
Company	2020 £
Lease liabilities are due as follows:	
Not later than one year	17,243
Between one year and five years	84,884
More than five years	–
Total	102,127

Group	LEASE LIABILITY – PROPERTY £	LEASE LIABILITY – EXPLORATION AND EVALUATION ASSETS £	LEASE LIABILITY – DEVELOPMENT AND PRODUCTION ASSETS £	TOTAL £
Lease liability reconciliation				
At 31 July 2019	–	–	–	–
Impact of adoption of IFRS 16	11,891	300,846	889,432	1,202,169
At 1 August 2019 as restated	11,891	300,846	889,432	1,202,169
Additions	107,519	–	46,118	153,637
Interest expense	1,287	18,299	93,856	113,442
Lease payments	(18,570)	(34,520)	(199,465)	(252,555)
At 31 July 2020	102,127	284,625	829,941	1,216,693

Notes Forming Part of the Financial Statements

continued

23 Provisions for Liabilities

Group	OTHER PROVISIONS £	DECOMMISSIONING PROVISION £	REINSTATEMENT PROVISION £	TOTAL £
At 1 August 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 asset disposal	–	–	(96,862)	(96,862)
At 31 July 2019	20,525	2,152,213	223,787	2,396,525
Provision created during the year	–	24,605	–	24,605
Unwinding of discount	–	56,373	–	56,373
At 31 July 2020	20,525	2,233,191	223,787	2,477,503

Company	OTHER PROVISIONS £	DECOMMISSIONING PROVISION £	REINSTATEMENT PROVISION £	TOTAL £
At 1 August 2018	20,525	–	–	20,525
Paid during the year	–	–	–	–
At 31 July 2019	20,525	–	–	20,525
Paid during the year	–	–	–	–
At 31 July 2020	20,525	–	–	20,525

At 31 July 2020 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 2021 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, £Nil (2019: £2,567) is estimated to be payable within one year.

In 2019, the reinstatement provision release of £96,862 relates to the Mairy site in France where clarification was received during 2019 that Egdon had no ongoing liability for site restoration.

24 Share Capital and Redeemable Preference Shares

	1P ORDINARY SHARES		1P DEFERRED SHARES		TOTAL £
	ALLOTTED, CALLED UP AND FULLY PAID				
	NUMBER	£	NUMBER	£	
At 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
Shares issued in the year	25,000,000	250,000	–	–	250,000
At 31 July 2020	328,315,625	3,283,156	1,195,087,887	11,950,879	15,234,035

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

	ALLOTTED, CALLED UP AND PARTLY PAID	
	NUMBER	£
At 31 July 2019	50,000	12,500
At 31 July 2020	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 27 April 2020, following an open offer, the Company issued 25,000,000 New Ordinary 1p shares for total cash consideration of £500,000. The nominal value of the shares was £250,000 and the additional share premium created totalled £250,000.

On 6 November 2007, 50,000 redeemable preference shares of £1 each were issued and are now held by InfraStrata plc. One-quarter of the nominal value of these shares is paid up and the shares are entitled to an annual dividend out of distributable profits of 0.00001% per annum on the amount for the time being paid up on each such share and do not carry any voting rights. The Company may redeem the shares at any time by giving preference shareholders one week's notice. Preference shareholders may require the Company to redeem their shares at any time by giving six months notice. In each case, any redemption is at par and is subject to the provisions of the Companies Act. The preference shares are treated as short-term liabilities and included within trade payables.

25 Share Premium Reserve

Shares issued during the year are detailed in Note 24.

Share costs associated with the share transactions above of £25,000 (2019: £192,770) were offset against the premium generated on issue.

The above share issues when added to the opening reserve as at 1 August 2019 of £26,742,656 resulted in a closing share premium reserve carried forward of £26,967,656 (2019: £26,742,656).

26 Merger Reserve

Company

The merger reserve arose on the de-merger of the Egdon Resources group of companies from InfraStrata plc (formerly Portland Gas plc) and represented the difference between the 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.

Notes forming part of the Financial Statements

continued

27 Movements in Cash and Cash Equivalents

Group	AS AT 31 JULY 2019 £	CASH FLOW £	EXCHANGE RATE MOVEMENTS £	AS AT 31 JULY 2020 £
Cash at bank	1,264,034	(1,133,045)	–	130,989
Short-term bank deposits	146,244	582,585	(12,594)	716,235
Restricted cash at bank	207,647	(207,647)	–	–
Cash and cash equivalents as per Statement of Financial Position	1,617,925	(758,107)	(12,594)	847,224

Company	AS AT 31 JULY 2019 £	CASH FLOW £	AS AT 31 JULY 2020 £
Cash at bank	1,066,855	(1,023,751)	43,104
Short-term bank deposits	109	–	109
Cash and cash equivalents as per Statement of Financial Position	1,066,964	(1,023,751)	43,213

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

28 Obligations under Leases

At 31 July 2020 the Group had future minimum commitments under non-cancellable operating leases as follows:

	2020 £	2019 £
Within one year:		
– leases on operational and exploration and evaluation sites	–	218,587
– leases on land and buildings	–	22,917
Within two to five years:	–	–
– leases on operational and exploration and evaluation sites	–	809,096
– leases on land and buildings	–	–
After more than five years:	–	–
– leases on operational and exploration and evaluation sites	–	1,131,103
	–	2,181,703

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.

See Note 2 *Adoption of new and revised standards* for a reconciliation of the operating lease commitments at 31 July 2019 to the lease liability created upon adoption of IFRS 16 at 1 August 2019.

29 Capital Commitments

Capital commitments of £162,434 (2019: £44,992) 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 2020.

30 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 2020 Pinnacle Energy Limited invoiced the Group £7,740 (2019: £6,300) for legal and consultancy services provided at commercial rates and agreed by the Directors of the Company. At the year end £9,288 was owing to Pinnacle Energy Limited (2019: £2,074).

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 £3,274 (2019: £5,963) in respect of licence related costs. There was a balance of £1,511 outstanding at the year owed by the Group (2019: £2,870 owed to the Group).

On 14 April 2020 Petrichor Holdings Coöperatief U.A. subscribed to purchase 7,055,720 shares for a total price of £141,114 as part of an open offer equity fund raising offer. This subscription has not altered the percentage shareholding of 33.99%.

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

	2020 £	2019 £
Time costs	171,196	185,122
Overhead recharged in accordance with Joint Operating Agreement	39,407	50,200
	210,603	235,322

The balances due from companies with interests in jointly controlled operations in respect of these transactions as at 31 July 2020 and 31 July 2019 are set out below:

	2020 £	2019 £
Due from companies with interest in jointly controlled operations	3,841	30,953

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:

	2020 £	2019 £
Invoiced to subsidiary companies	951,821	1,090,011

As at 31 July 2020 the balance due to Egdon Resources plc from its subsidiary undertakings was £29,940,872 (2019: £28,673,646) as shown in Notes 17 and 18.

31 Control of The Group

There is no ultimate controlling party of Egdon Resources plc.

32 Subsequent Events

On 25 August 2020 the Company completed a farm-out Agreement with Shell U.K. Limited ("Shell") in respect of offshore licences P1929 and P2304 ("the Licences") which contain the Resolution and Endeavour gas discoveries.

The OGA has approved the transfer of a 70% interest and operatorship in both licences and the associated documentation including Joint Operating Agreements in respect of both licences has now been executed.

The Company retained a 30% interest in the Licences. Under the terms of the farm-out Agreement, Shell will pay 85% of the costs of the acquisition and processing of the 3-D seismic survey covering both the Resolution and Endeavour gas discoveries. The carry on the acquisition costs will be capped at US\$5 million gross, beyond which the Company would pay 30% of the survey costs. Furthermore, Shell will also pay 100% of all studies and manpower costs through to the well investment decision on the Licences. Egdon has been advised by Shell that the Resolution 3-D seismic survey is now planned for February 2022, subject to approval by the OGA of an amendment to the licence obligations.

On 25 August 2020 the Company received funds totalling £775,000 from Humber Oil & Gas Limited on behalf of the JV partnership in settlement of the dispute initiated in the prior year. On 18 June 2020 the Company signed a legally binding and confidential settlement agreement (the "Settlement Agreement") between the Company (acting on behalf of the PEDL253 joint venture partners) and Humber Oil & Gas Limited ("Humber"). The joint parties to PEDL253 have therefore resolved the dispute arising under the JOA and look forward to co-operating in the future in the development of the licence.

Following implementation of the terms of the Settlement Agreement Egdon Resources U.K. Limited holds a 35.8% operated interest in PEDL253.

On 26 November 2020 Egdon announced that it had entered into a £1.00 million loan facility with Union Jack Oil plc. The loan has an 18 month term with the principal sum payable at end of the term or in part or in full at any earlier time at the borrower's discretion. Interest accrues on a daily basis on the outstanding loan amount at an interest rate of 11% per annum and is payable quarterly commencing on the earlier of the quarter following first production or on April 2021. The loan is secured against an unencumbered 25% interest in the Wressle Project (PEDL180, and PEDL182), including the Wressle development project and associated infrastructure.

On 5 January 2021 Egdon finalised the documentation for £1.05 million convertible loan notes with a concert party of Petrichor Holdings BV. The transaction, which will require a whitewash, is subject to shareholder approval through a vote by independent shareholders at a General Meeting to be held on 22 January 2021.

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

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Nominated Advisor and Joint Broker

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Joint Broker

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Statutory Auditor

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