

EGDON RESOURCES plc

Annual Report and Financial Statements
for the year ended 31 July 2021

Egdon Resources plc

is an independent onshore focused oil and gas exploration and production business.

Overview

Highlights	1
Chairman's Statement	3

Strategic Report

Operating Review	7
Oil and Gas Reserves and Resource Estimates	13
United Kingdom Licences Summary	14
Financial Review	16

Governance

Corporate Governance Statement	19
Board of Directors	26
Directors' Report	28
Statement of Directors' Responsibilities	30
Independent Auditor's Report	31

Financial Statements

Consolidated Statement of Comprehensive Income	38
Consolidated Statement of Financial Position	39
Company Statement of Financial Position	40
Consolidated Statement of Cash Flows	41
Company Statement of Cash Flows	42
Consolidated Statement of Changes in Equity	43
Company Statement of Changes in Equity	44
Notes Forming Part of the Financial Statements	45
Directors, Officers and Advisors	76



Highlights



An established UK focused oil and gas exploration and production business with 38 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 firm commitment to safety, environmental and social responsibility in all aspects of its operations



A proven operator with an experienced and respected management team

Operational and Corporate

- Completion of site reconfiguration, facilities installation and well recompletion at the Wressle oil field, with test production ongoing since late January 2021 and the proppant squeeze operation successfully completed in July 2021
- Production during the period was 90 barrels of oil equivalent per day ("boepd") (2020: 145 boepd) against guidance of 110-130 boepd due to delays in undertaking the proppant squeeze at Wressle
- Planning application submitted for a side-track drilling operation, associated testing and long-term oil production at the Biscathorpe-2 well site
- Entered a memorandum of understanding with Creative Geothermal Solutions Limited ("CGS") in respect of geothermal projects with an initial focus on Egdon's Dukes Wood-1 and Kirklington-3Z wells
- Completion of the farm-outs for the Resolution and Endeavour gas discoveries (P1929 and P2304) to Shell Oil U.K. Limited.
- Continued refocussing and streamlining of the licence portfolio

Financial Performance

- Gross oil and gas revenues during the year increased by 13.4% to £1.09 million (2020: £0.96 million)
- Loss for the year ended 31 July 2021 of £1.68 million after write-downs, pre-licence costs and impairments of £0.48 million (2020: loss of £4.75 million after write-downs, pre-licence costs and impairments of £3.03 million)

- Basic loss per share of 0.51p (2020: 1.53p)
- Cash at bank £1.96 million as at 31 July 2021 (2020: £0.85 million)
- Net assets as at 31 July 2021 of £27.42 million (2020: £26.67 million)
- Refinancing of the business via a £1 million loan facility, the issue of £1.05 million convertible loan notes shareholder approval at a General Meeting and an equity placing of £1.44 million gross in July 2021

Subsequent Events

- At Wressle, a coiled tubing operation, a follow-up to the proppant squeeze operation, was completed in August 2021, with test production recommencing and flow rates exceeding pre-operational expectations. During September, we reported facility constrained instantaneous flow rates of up to 884 barrels of oil per day ("bopd") along with 480,000 cubic feet of gas (c. 80 barrels of oil equivalent per day). Wressle is already having a positive impact on the Groups revenues.
- In September 2021 we were advised by Shell that the planned 3-D seismic survey across UK offshore licences P1929 and P2304 (Resolution and Endeavour gas discoveries respectively (Egdon 30%)) would not proceed on the original expected timeframe of February 2022. Subject to regulatory and Shell approval we now expect this to go ahead in February 2023.
- On 1 November 2021 planning permission was refused for the Biscathorpe project. The Company will await the formal decision notice before taking advice and considering our options including an appeal.

Our Strategy

The Board has reviewed and updated the Company's strategy in light of the opportunities and challenges presented by the UK's move to Net Zero carbon emissions by 2050. The revised strategy is to;

1

Maintain geographical focus on the UK

2

Focus on growth in production and revenue through conventional production, appraisal and exploration projects

3

A near term focus on developing low carbon energy transition projects utilising Egdon's existing assets, knowledge of the UK Onshore geology and core technical skills and operating experience

4

Maintain our significant portfolio of unconventional resources assets whilst working to address the moratorium

Committed to the highest standards

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



Chairman's Statement

"During what has been a challenging period as we continue to navigate the COVID pandemic and its macro-economic impacts, I can report that we have continued to make progress against our revised strategy and the business is in a significantly stronger place than a year ago. We have strengthened our financial position and are now operating in a higher commodity price environment as worldwide demand recovers. Operationally the highlight is undoubtedly Wressle, where production has significantly exceeded our expectations and the expected material revenues from this asset will transform the cash flow for the business in the current period and beyond. Providing optionality for near-term growth opportunities in line with our stated strategy."



PHILIP STEPHENS CHAIRMAN

Our primary concern during the last year has been the health and safety of our employees, contractors, and other stakeholders as we have navigated the COVID pandemic. Egdon's office-based employees have continued to work from home and our production and site operations have thankfully remained unaffected.

As worldwide economic activity levels have increased, we have seen a strong rebound in commodity prices. Of particular note, UK gas prices have reached historic highs due to increasing worldwide demand, supply issues and competition for Liquefied Natural Gas (LNG). This is clearly positive for our business and reinforces the need for the UK to maintain secure indigenous supplies of oil and gas as we transition to "Net Zero" by 2050.

Key Events

Key events during the period were;

- Production during the period was 90 boepd (2020: 145 boepd) against guidance of 110-130 boepd. Production was from the Ceres gas field, the Kedlington and Fiskerton Airfield oil fields and since 30 January 2021, the Wressle oil field extended well test operations. Guidance was missed due largely to the delay in undertaking the proppant squeeze at Wressle
- Development of the Ashover Grit reservoir at Wressle oil field has been completed with the proppant squeeze operation being undertaken during late July 2021. The initial production rates of up to 884 barrels of oil per day (bopd) have exceeded the Group's expectations
- A planning application supported by a comprehensive environmental statement was submitted in February for the drilling of a side-track well, well-testing and long-term production at Biscathorpe. The planning decision rejecting Egdon's application was made by the planning committee post year end on 1 November 2021.
- Egdon entered into a memorandum of understanding with Creative Geothermal Solutions Limited ("CGS") in respect of geothermal projects with an initial focus on Egdon's Dukes Wood-1 and Kirklington-3Z wells
- Refinancing of the business via a £1 million loan facility, the issue of £1.05 million convertible loan notes, which have subsequently been converted, and an equity placing of £1.44 million.

Financial and Statutory Information

I am pleased to be able to report on a strengthening of the Group's financial position over the period.

Revenue from oil and gas production during the year was £1.09 million (2020: £0.96 million). The revenues are driven by an increase in commodity price, resulting in an 84% increase in realised price per boe (2021: \$33.35/boe against 2020: \$18.08 boe), which have mitigated a fall in overall production at existing sites of 38.5% (2021: 32,686 boe against 2020: 53,070 boe).

The Group recorded a net loss of £1.68 million for the year, (2020: loss of £4.75 million). This included write-downs, pre-licence costs and impairments totalling £0.48 million (2020: £3.03 million).

The operating loss, calculated as gross loss less admin expenses, plus other operating income, before impairments was £1.11 million (2020: £1.79 million).

The Group continues to focus on managing its cash resources and at the end of the year had cash and cash equivalents of £1.96 million (2020: £0.85 million) and net current assets of £0.14 million (2020: net current liabilities of £0.33 million).

In November 2020, Egdon secured a £1.00 million loan facility. 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. In January 2021, Egdon issued £1.05 million convertible loan notes with a concert party of Petrichor Holdings BV. These notes were exercised in July 2021 for the issue of 73,233,406 shares. An equity placing of £1.44 million gross was completed in July 2021.

The loss per share for the year was 0.51p (2020: loss of 1.53p).

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

Strategy

The Board has updated the Company's strategy to take account the opportunities and challenges presented by the wider economic and political environment and the UK's move to Net Zero carbon emissions by 2050. We have updated the Company's strategy as follows;

- 1) Maintain geographical focus on the UK
- 2) Focus on growth in production and revenue through conventional production, appraisal and exploration projects

Chairman's Statement

CONTINUED

- 3) A near term focus on developing low carbon energy transition projects utilising Egdon's existing assets, knowledge of the UK's onshore geology and core technical skills and operating experience
- 4) Maintain our significant portfolio of unconventional resources assets whilst working to address the moratorium

We have already made progress in respect of the revised strategy with the signing of an MoU with Creative Geothermal Solutions Limited ("CGS") to progress geothermal energy opportunities as discussed below.

Political and Regulatory

The UK is committed by law to reaching Net Zero carbon emissions by 2050. The popular narrative around this tends to be the demonisation of oil and gas, with renewables fully displacing the use of fossil fuels. However, in its December 2020 report, the Climate Change Committee ("CCC"), 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 its energy needs and that there will be a continuing need for oil and gas. This has been starkly brought into focus by the historically high gas prices, which have resulted in the failure of a number of small energy suppliers, the shut-down of fertiliser manufacturing and fears for its impact on other energy intensive industries. These situations have been driven by increased worldwide demand, supply limitations – particularly from Russia, increased deliveries of LNG to the Far East and the coincidence of low output of wind and solar power in the UK.

Egdon was adversely impacted in November 2019 by the Government's imposition of a moratorium on high volume hydraulic fracturing for shale-gas. Each geological basin and site is different and we are encouraged that the Gainsborough Trough, where Egdon holds its core licences, is characterised by its simple structure and limited subsurface faulting. Egdon continues to work to conclude that we can operate safely and in an environmentally responsible manner. The results of various independent 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. Indigenous UK shale-gas could be an important part of the energy transition for the UK in its move towards a Net Zero economy.

The Government has now published its hydrogen strategy which highlights the importance of blue hydrogen (methane derived

hydrogen coupled with Carbon Capture and storage) in the energy transition.

The national and local benefits of indigenous oil and gas supplies are clear and even more compelling in the context of a post-COVID-19 recovery, with a positive impact on emissions, energy security, the balance of payments, tax, business rates and employment. Without indigenous oil and gas, the UK will simply 'offshore' its emissions, employment, and fiscal benefits.

Asset Portfolio

Following relinquishment or expiration of non-core, non-prospective or operationally challenging licences during the period, Egdon held interests in 38 licences (2020: 42 licences) in the UK at the period end with exposure to the full cycle of opportunities from exploration through to development and production. The Company will maintain its current focus on the highest potential projects whilst divesting certain non-core assets to provide more focus to the portfolio.

Production

Production during the period was 90 boepd, (2020: 145 boepd) from Ceres, Keddington and Fiskerton Airfield, with Wressle contributing on test production since 30 January 2021.

Test production commenced in January 2021 from the Ashover Grit at the Wressle oil field (PEDL180/PEDL182: Egdon 30%). A proppant squeeze and follow up coiled tubing operation was completed in August 2021, with test production recommencing and flow rates exceeding pre-operational expectations. During September, we reported facility constrained instantaneous flow rates of up 884 barrels of oil per day ("bopd") along with 480,000 cubic feet of gas (c. 80 barrels of oil equivalent per day). Wressle is already having a highly positive impact on our revenues.

A number of additional projects are under active consideration to boost production and revenues, and include Keddington and Waddock Cross.

A detailed sub-surface review of the Keddington oil field and the surrounding licence area (PEDL005 (Remainder): Egdon 45%) has highlighted that material volumes remain to be produced presenting an opportunity during 2022 to increase production via a development side-track for which planning consent is already in place.

The shut-in Waddock Cross oil field (PL090: Egdon 55%) has potential for commercial production (> 500 bopd) from a new horizontal well. Given the large in place oil volume (Mean STOIP: ca. 57 mmbbls) this has been high graded by the Company as planning consent and facilities are in place to test this significant opportunity.

Exploration/Appraisal

Our portfolio of conventional assets provides potential for growth via exploration and appraisal drilling and the Company continues to progress those opportunities that offer maximum near-term impact. Key projects for the coming period are summarised below.

Evaluation of the results of the Biscathorpe-2 well (PEDL253: Egdon 35.8%), has identified a possible material and commercially viable hydrocarbon resource which remains to be tested. A planning application was submitted during February 2021 for side-track drilling, testing and long-term production. The proposed side-track would target gross Mean Prospective Resources of 6.5 million barrels of oil (mmbo) as estimated by Egdon. The planning decision rejecting Egdon's application was made by the planning committee on 1 November 2021 despite having a recommendation for approval from the planning officers.

The North Kelsey Prospect (PEDL241: Egdon 50%) is considered an analogue to the Wressle field and has Mean Prospective Resources of 6.47 million barrels in multiple reservoirs. Planning consent was extended to 31 December 2021 and an application is in preparation to extend this further.

Conditional upon the eventual receipt of the required planning consents, and in part dependent upon securing farm-outs on PEDL253 and PEDL241, Egdon hopes to drill a side-track at Biscathorpe and a new well on the North Kelsey prospect.

Egdon completed the 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 (Egdon 30%). In September we were advised by Shell that the planned 3-D seismic survey across both discoveries would not proceed on the original expected timeframe of February 2022.

Unconventional Resources

The Group holds a significant unconventional resources portfolio of licences located in Northern England, totalling 151,742 net acres (614km² net) with estimated Mean volumes of undiscovered GIIP of 37.6 TCF (independently assessed by ERCE in 2016). Our primary focus is the Gainsborough Trough where the results from the 2019 Springs Road-1 well (Egdon 14.5%) highlighted a potentially world class resource in the Gainsborough Shale. However, activity is currently paused with all licences being held on a care and maintenance basis due to the moratorium on hydraulic fracturing for shale-gas imposed in November 2019.

Energy Transition Opportunities

Egdon has focused on energy transition opportunities which utilise the Company's core skills, knowledge, and operating experience. These include geothermal energy, hydrogen production and energy storage opportunities.

An initial review of the geothermal potential within our existing wells and fields has shown that a number of these have merit. The review highlighted anomalously high sub-surface temperatures at our shut-in wells at the Dukes Wood and Kirklington oil fields, making these wells candidates for repurposing for geothermal heat production.

To facilitate progress in relation to geothermal energy opportunities we have signed a memorandum of understanding with Creative Geothermal Solutions Limited (CGS). CGS are a team of highly experienced engineers and service providers who will work jointly with Egdon and our partners to progress these projects.

A programme to plug and abandon the existing Dukes Wood-1 oil well and recomplete it for geothermal heat production has been developed for Egdon by CGS and has been submitted to the regulator. It is anticipated that subject to regulatory approval, this work will commence during Q1 2022.

Chairman's Statement

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Outlook

Production guidance for 2021-22 is 240 boepd, with Wressle being a significant contributor to this and being subject to review as further production data becomes available.

Operationally, in the short-term we will continue to focus on key highlighted projects within our conventional portfolio whilst maintaining our substantial acreage position in the nascent shale-gas play. In parallel, we aim to demonstrate to the regulators that we can operate safely to deliver lower emission indigenous UK shale-gas to support the energy transition.

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

- Managing our operation to ensure the continued safety of employees, contractors and other stakeholders in respect of COVID-19
- Optimise oil and gas production from the Ashover Grit reservoir at Wressle
- Progress the monetisation of associated gas production from the Ashover Grit at Wressle
- Finalise plans for development of the Contingent Resources at Wressle
- Securing planning consent for the Biscathorpe-2Z side-track, testing and long-term production
- Securing an extension to North Kelsey planning consent beyond end 2021
- Progressing drilling plans to target incremental oil production/near field exploration opportunities at the Keddington oil field and field redevelopment at Waddock Cross
- Geothermal repurposing of the Dukes Wood-1 well during 2022
- Subject to Shell's approval, progressing the 3-D seismic survey over the Resolution and Endeavour gas discoveries
- Further developing the Company's energy transition opportunities

I am also pleased to report that we have made the move to electronic communication with shareholders. This should produce a significant saving in paper and postage, at the same time as allowing proxies and other shareholder matters to become easier and more efficient for all concerned. Shareholders remain entitled to receive all shareholder communications in paper form at no cost, but we are encouraging those who can, to agree to receive everything in electronic form.

With the material cash flow expected from Wressle and Ceres, in a significantly improved commodity price environment, and the breadth and quality of the opportunities within the portfolio, we can look forward with confidence.

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

Philip Stephens

Chairman

2 November 2021

Operating Review



I am pleased to provide the 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.

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 period there were no reportable health and safety incidents, and the Company was compliant with all of its environmental permits and planning consents.

Operating Environment & COVID-19

We have kept our employees, contractors, and other stakeholders safe by adopting home working and social distancing measures and continue to take all precautions to ensure risks are minimised.

Communications

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

To improve the efficiency of sharing corporate information with shareholders Egdon is now able to provide the option for electronic communication.



Wressle site during proppant squeeze operations (July 2021).

Operating Review

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Progress against objectives

As part of our preliminary results reporting (January 2021) and Interim Results (April 2021) we set out several objectives against which I can report on progress.

Objective Set	Progress Against Objective
1) Managing our operations to ensure the continued safety of employees, contractors and other stakeholders in response to the evolving COVID-19 situation	<ul style="list-style-type: none"> ▪ Successfully implemented COVID-19 secure procedures and systems ▪ No adverse direct impacts
2) 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	<ul style="list-style-type: none"> ▪ Improved cash position through recapitalisation of the business by securing loans and issue of new equity ▪ Temporary salary reductions in place throughout period
3) Finalising the development of the Wressle oil field for production start-up in January 2021 and progressing the proppant squeeze at the Wressle oil field to attain target production of 150 bopd net to Egdon	<ul style="list-style-type: none"> ▪ Recompletion finalised in January 2021 and test production commenced ▪ Proppant squeeze successfully undertaken in July 2021 with coiled tubing completed in August 2021 ▪ Instantaneous flow test production of 884 bopd (facilities constrained) achieved, exceeding expectation
4) Securing planning consent for the Biscathorpe-2Z side-track, testing and long-term production	<ul style="list-style-type: none"> ▪ Planning application submitted in February 2021 ▪ Application rejected on 1 November 2021 ▪ Options including an appeal to be considered
5) Progressing a farm-out of North Kelsey-1 and Biscathorpe-2Z with a view to drilling during 2022	<ul style="list-style-type: none"> ▪ Data room opened for these opportunities ▪ Process ongoing
6) Streamlining the conventional resource portfolio to concentrate on a smaller number of key assets whilst maintaining our position in core unconventional resource assets	<ul style="list-style-type: none"> ▪ Non-core and low prospectivity assets relinquished or licences lapsed ▪ Ongoing review of all assets
7) Progressing the acquisition of the 3-D seismic survey over the Resolution and Endeavour gas discoveries in February 2022	<ul style="list-style-type: none"> ▪ Shell has advised that the 3D seismic survey over the Resolution and Endeavour gas discoveries has been delayed beyond February 2022
8) 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"> ▪ Work ongoing to address the moratorium ▪ Planning has been refused to retain the site and the operator will restore the site ▪ A new more optimal site will be required to progress the next phase of work (subject to lifting of the moratorium)
9) Reviewing the Energy Transition opportunities within the current portfolio, including repurposing of existing wells for geothermal energy	<ul style="list-style-type: none"> ▪ Geothermal repurposing opportunities identified ▪ MoU signed with Creative Geothermal Solutions (CGS) ▪ Plans to repurpose Dukes Wood-1 developed for Q1 2022 activity
10) Progressing drilling plans to target incremental oil production/ near field exploration opportunities at the Keddington oil field and field redevelopment at Waddock Cross	<ul style="list-style-type: none"> ▪ Detailed engineering work ongoing to finalise plans for 2022 activity at both sites

Assets & Operations

Egdon held interests in 38 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 and post-period.

Licence	Changes
PEDL143	Licence relinquished during September 2020
PEDL343	Licence extended to November 2021. Discussing longer extension and associated work programme
PEDL339, PEDL258, PEDL259	These licences have lapsed at the end of their Initial Terms as prospectivity was considered low
PEDL209	Egdon increased interest to 100% due to withdrawal of other JV parties
PL161/PL162	Farm-in Agreement with Scottish Power has lapsed and Egdon no longer has an interest in the licences
PEDL202	Interest in licence relinquished during August 2021

Production and Development Assets

Production during the period was 90 boepd, (2020: 145 boepd) from Ceres, Keddington and Fiskerton Airfield, with Wressle contributing on test production since late January 2021.

Wressle (PEDL180/182: Egdon 30%)

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.

Significant progress has been made at Wressle since it was granted planning consent in January 2020. The initial phase of work culminated in commencement of oil flows at the end of January 2021 following installation of surface facilities and a safe and successful recompletion and reperforation of the Ashover Grit reservoir. This has resulted in the Ashover Grit reservoir achieving instantaneous flow rates in excess of 884 barrels of oil per day ("bopd") along with 480,000 cubic feet of gas (c. 80 barrels of oil equivalent per day) on a significantly restricted choke setting (30.5/64ths) and with a high flowing wellhead pressure. Thus far, no formation water has been seen. The full flow potential of the well has yet to be fully tested due to constraints being experienced with the gas handling equipment.

Our focus for the coming period will be to remove the constraints to production and optimise oil and gas production from the

Ashover Grit reservoir and then move to finalise plans for the development of other hydrocarbon bearing reservoirs to access the contingent resources with particular focus on the Penistone Flags reservoir.

Consent has also now been received to install a combustion plant to facilitate gas to electricity generation, which will add a new potential revenue stream to the Wressle field development.

Environmental monitoring throughout the operations has shown no measurable impact on water quality, no seismicity and that noise levels have been within the permitted levels.

Ceres (P1241: Egdon 10%)

Ceres gas production during the period has declined to 58 boepd plus 4 boepd of condensate net to Egdon (2020: 118 boepd plus 6 boepd of condensate). The recent strong gas prices make the asset highly economic, and production is now expected to cease in 2023 – 2025 dependent upon economic life with abandonment to follow.

Operating Review

CONTINUED

Keddington (PEDL005R: Egdon 45%)

Keddington continues to produce at a net rate of 8 bopd (2020: 8 bopd) from one well. Some down-time was experienced during the period due to wax management issues which have subsequently been resolved. A sub-surface review of the Keddington field and the surrounding licence area has been completed, which indicates that gross Mean Contingent Resources of 559,000 barrels remain to be produced. With planning consent already in place, this presents an opportunity to increase production via a development side-track from one of the existing wells. Detailed reservoir engineering work is currently being finalised by ERCE to support the final target selection for such a well, which could be drilled in 2022.

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. It is intended that the Louth prospect would now be accessed from the existing Keddington site and as such licence PEDL339 has been allowed to lapse at the end of its initial term.

Fiskerton Airfield (EXL294: Egdon 80%)

Fiskerton Airfield produces at a net rate of 12 bopd during the period (2020: 13 bopd). Our focus at Fiskerton Airfield remains 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 and for potential geothermal repurposing as well.

Waddock Cross (PL090: Egdon 55%)

Waddock Cross is currently shut-in. Independent reservoir modelling has shown that a new horizontal well on the field could yield commercial oil production (500-800 bopd). Given the large in-place oil volume (Mean oil in place of c. 57 million barrels of oil) this asset has been high graded by the Company as planning consent and facilities are in place to test this significant opportunity.

Third party work is currently ongoing to finalise the well design, facilities specification, and commercial modelling for the phased redevelopment of the shut-in Waddock Cross oil field in Wessex Basin licence PL090. This will involve managing the expected high water cut. A final investment decision is expected to be made by the end of 2021 which could lead to further drilling activity during 2022.

Kirkleatham (PEDL068: Egdon 68%)

The Kirkleatham gas field remains shut in. Potential exists for a side-track to access a volume of gas in the attic of the structure and to sell this for power generation in the Wilton works through the existing infrastructure. 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.

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 and the joint venture have appealed this decision with the outcome still awaited.

Conventional Exploration and Appraisal Assets

The Company continues to progress those conventional resource opportunities that offer maximum impact via the drill-bit. The pace of exploration drilling activity is in part dependent upon securing successful farm-outs as the Company carefully looks to balance financial exposure and technical risk in line with our long-standing business model. Key projects are:

Biscathorpe (PEDL253: Egdon 35.8%)

Evaluation of the results of the Biscathorpe-2 well, together with the reprocessing of 264 square kilometres of 3-D seismic data identified a possible material and commercially viable hydrocarbon resource remaining to be tested. A planning application supported by a comprehensive environmental statement was submitted during February 2021 for side-track drilling, testing and long-term production. Following extensive consultation, the application received a recommendation for approval, but was rejected by the planning committee at a meeting on 1 November 2021. We will await the formal decision notice before taking advice and considering our options with the joint venture partnership including an appeal.

Subject to eventual receipt of planning consent, the side-track would target the Dinantian Carbonate, where a 68 metre oil column was discovered in Biscathorpe-2. The Dinantian Carbonate has been assessed by Egdon to have a gross Mean Prospective Resource Volume of 2.55 million barrels of oil (mmbo). The overlying Basal Westphalian Sandstone has the potential to add gross Mean Prospective Resource Volume of 3.95 mmbo. Commercial screening conducted by Egdon in 2020

indicated break-even full cycle economics to be US\$18.07 per barrel with an NPV (10) valuation of £55.60 million.

Results of an independent Carbon Intensity Study, conducted by Gaffney, Cline & Associates, concluded that the Biscathorpe project has an AA rating. This is significantly lower than the current UK average. Once in production, GaffneyCline estimates the Biscathorpe project to have a Carbon Intensity of just 3.06 grams of Carbon Dioxide equivalent per mega joule (gCO₂Eq/MJ).

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. North Kelsey is geologically analogous to the Wressle field. 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 2021 were again impacted by COVID-19 restrictions brought about by the second wave of infections. Egdon is in the process of submitting a further application to extend the existing consent beyond 31 December 2021. Egdon and Union Jack Oil plc completed the alignment of equity on a 50:50 basis with Egdon receiving a cash consideration of £100,000.

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

In September 2021 Egdon was advised by licence operator, Shell U.K. Limited, that the 3D seismic survey planned for February 2022, over the Resolution and Endeavour gas discoveries, will not proceed on the original expected timeline. Subject to regulatory and Shell approvals we anticipate that the survey could proceed in February 2023.

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.

Unconventional Resources

Following a number of changes to our licence interests as detailed above, the Group's unconventional resources acreage position in Northern England is 151,742 net acres (614km² net) (2020: 164,280 net acres (664km² net)). This remains a significant and potentially highly valuable position with estimated Mean volumes of undiscovered GIIP of 37.6 TCF net independently assessed by ERCE (2020: 47.6 TCF).

Egdon's core area is the Gainsborough Trough of Nottinghamshire, Lincolnshire and Yorkshire where the Group holds interests in 71,361 net acres (2020: 71,361 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. Activity in the basin is currently on pause due to the moratorium on hydraulic fracturing of shale-gas imposed 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 also retains interests in the Widmerpool Basin and Humber Basins of the East Midlands, the Cleveland Basin of NE England and the Blacon Basin of NW England. Future activity levels on all these licences will be on a care and maintenance basis during the coming period.

Energy Transition Opportunities

The energy transition will present a number of challenges and opportunities for Egdon. The Company recognises the potential or repurposing of its fields, sites and wells for renewable purposes as well as with additional new stand-alone projects in the geothermal, hydrogen and energy storage space. During the coming period we will be developing our strategy and plans in respect of these new business areas.

Dukes Wood Geothermal

Egdon's initial focus has been on geothermal opportunities within our existing well stock. A detailed review has highlighted an anomalously high geothermal gradient local to our shut-in wells at the Dukes Wood and Kirklington oil fields.

Operating Review

CONTINUED

Working with Creative Geothermal Solutions Limited (CGS) we have developed and submitted to the regulator a programme to plug and abandon the existing Dukes Wood-1 oil well and recompleting it for geothermal heat production. It is anticipated that subject to regulatory approval, work on this proof of concept project will commence during Q1 2022.

Risks

The key business risks are set out on pages 17 to 18.

Outlook and Priorities

Initial production guidance for the 2021/2022 financial year is 240 boepd from Wressle, Ceres, Keddington and Fiskerton Airfield.

Operationally, in the short-term we will continue to focus on key highlighted projects within our conventional portfolio. Longer term we will maintain our substantial acreage position in the nascent shale-gas play and continue to work to demonstrate to the regulatory authorities that we can operate safely to deliver lower emission indigenous UK shale-gas to support the energy transition.

The key priorities for the Company during the coming year are summarised in the Chairman's Statement above and demonstrate the breadth and depth of the asset base.

Mark Abbott

Managing Director

2 November 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	0.19	0.38	0.64	MMbbls	Wressle, Keddington, Fiskerton Airfield, Ceres Condensate, Avington

CLASS OF RESERVE/RESOURCE	LOW ESTIMATE	BEST ESTIMATE	HIGH ESTIMATE	UNITS	FIELD/PROSPECT NAME
Net Oil Contingent Resources	0.85	1.60	2.79	MMbbls	Wressle (Penistone), Waddock Cross
Net Oil Prospective Resources (conventional)	9.63	17.93	30.93	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	0.65	1.01	1.92	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)	22.94	58.48	127.64	Bcf	Kirk Smeaton, North Somercotes, Cloughton and others
Net Gas Prospective Resources (unconventional)	965.68	2297.50	5896.93	Bcf	UK Northern England shale-gas
Total Net Prospective Gas Resources	988.62	2355.98	6024.57	Bcf	

CLASS OF RESERVE/RESOURCE	LOW ESTIMATE	BEST ESTIMATE	HIGH ESTIMATE	UNITS
Total Contingent and Prospective Resources	180.83	423.54	1058.99	mmboe

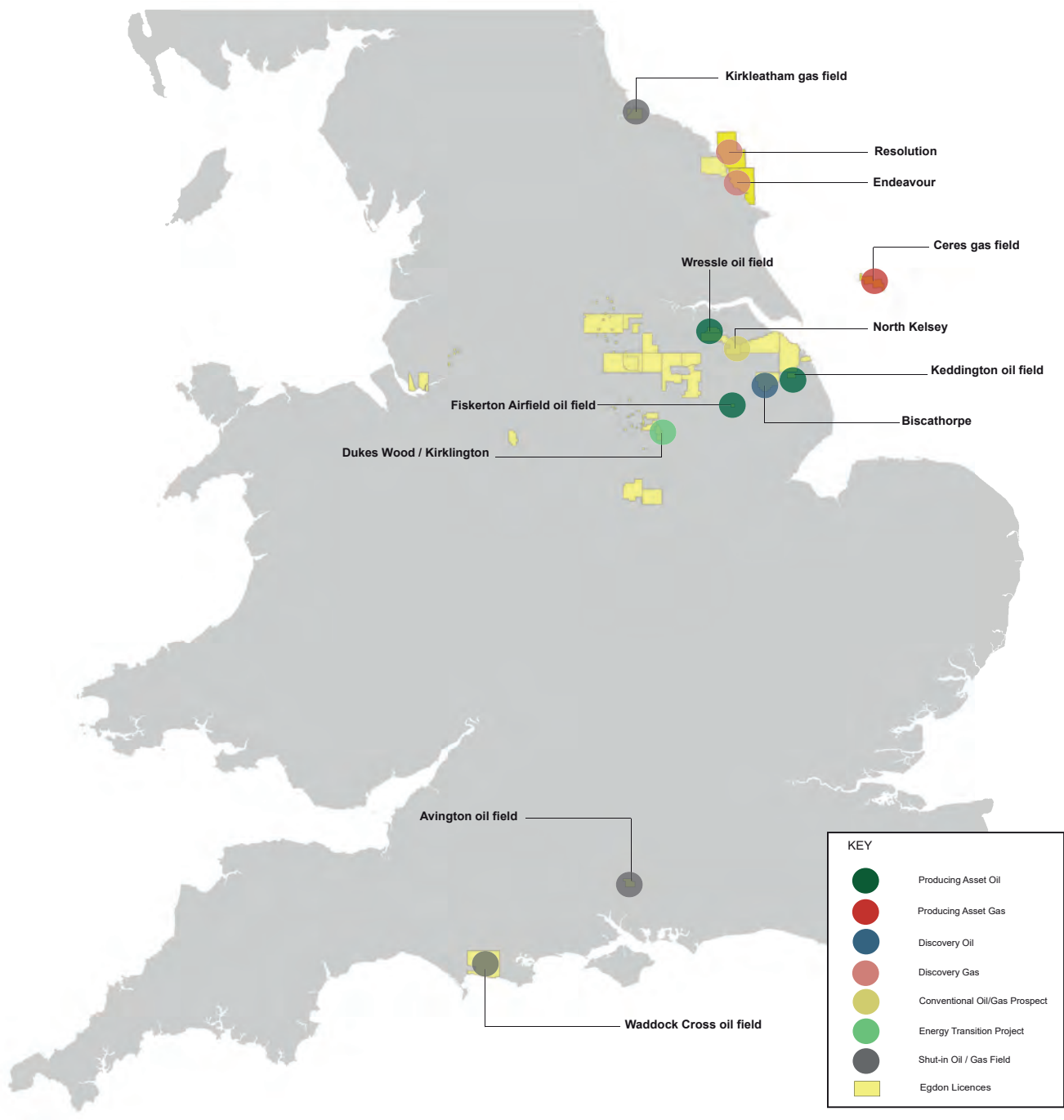
Note: all numbers are Company estimates (2019) except Resolution (Schlumberger 2019), Wressle (ERCEquipoise 2016)

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	PEDL169	Island Gas Limited	20.00%	62.00
19	PEDL180	Egdon Resources U.K. Limited	30.00%	40.00
20	PEDL181	Europa Oil and Gas Limited	25.00%	159.91
21	PEDL182	Egdon Resources U.K. Limited	30.00%	19.00
22	PEDL191	Egdon Resources U.K. Limited (Deep Rights)	100.00%	66.00
23	PEDL201	Egdon Resources U.K. Limited	45.00%	80.00
24	PEDL202	Egdon Resources U.K. Limited (Deep Rights)	100%*	1.00
25	PEDL203	Egdon Resources U.K. Limited	55.55%	10.52
26	PEDL209	Egdon Resources U.K. Limited	100.00%	64.11
27	PEDL241	Egdon Resources U.K. Limited	50.00%	55.00
28	PEDL253	Egdon Resources U.K. Limited	35.80%	95.00
29	PEDL273	Island Gas Limited	15.00%	194.65
30	PEDL278	Island Gas Limited	50.00%	38.00
31	PEDL305	Island Gas Limited	15.00%	143.00
32	PEDL306	Egdon Resources U.K. Limited	60.00%	88.50
33	PEDL316	Island Gas Limited	15.00%	111.19
34	PEDL334	Egdon Resources U.K. Limited	60.00%	162.78
35	PEDL343	Egdon Resources U.K. Limited **	40.00%	110.29
36	P1241	Spirit Energy North Sea Limited	10.00%	42.79
37	P1929	Shell (UK) Limited	30.00%	201.51
38	P2304	Shell (UK) Limited	30.00%	164.70

* OGA consent to withdraw from licence post year-end

** OGA consent to operator change post year-end



Financial Review



Results

The Group recorded a loss after tax of £1.68 million for the year (2020: £4.75 million) after write-downs, impairments and pre-licence costs amounting in total to £0.48 million (2020: £3.03 million).

Gross revenue from oil and gas production during the year was £1.09 million (2020: £0.96 million). Production decreased while commodity prices increased, resulting in a stable revenue compared to the prior year.

The prior year release of the contract asset (2020: £99,704) relating to the value of back-out gas delivered to the Group in the year (as defined in Note 2) represented the final instalment of the contract asset release and there is, therefore, no equivalent release in the current year.

Exploration costs written-off and pre-licence costs amounted to £206,156 (2020: £193,953). Additionally, following on from the normal regular impairment review of asset values, an impairment charge of £0.28 million has been made in the financial statements (2020: £2.84 million).

The decrease in other cost of sales from £1,566,397 in 2020 to £1,292,973 is primarily due to a reduction in direct production costs as a consequence of careful cost control. Included in other cost of sales is an amount of £174,308 which relates to Wressle costs (2020: £Nil).

The reduction in administrative expenses to £862,060 (2020: £956,289) 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 0.51p (2020: 1.53p).

No taxation charge arises on the result for the year. As at 31 July 2021, the Group had carry forward tax losses of £56,331,362 (2020: £53,587,367). The increase in available losses primarily reflects the trading loss and tax allowances related to intangible expenditure in the year.

Statement of financial position

The Group has maintained a focus on managing its cash resources. At the year end the Group had net current assets of £0.14 million (2020: net current liabilities £0.33 million) of which £1.96 million was cash and cash equivalents (2020: £0.85 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 £1.36 million in July 2021 (2020: £0.48 million in April 2020). The level of fundraising and funds received from loans and convertible loans during the year together with increased revenues as a consequence of higher commodity prices and lower production rates in 2021 have contributed to an increase of £1.11 million (2020: decrease of 0.77 million) in the year end cash balance.

The net decrease in receivables of £0.75 million is largely due to the decrease in amounts billed to partners and unpaid at the year end arising in the normal course of business.

Trade and other payables include deferred consideration of £417,000 (2020: £417,000) in respect of the acquisition in 2019 of the additional 5% interest in PEDL 180 and PEDL 182 and VAT payable of £9,170 (2020: VAT recoverable of £53,158). The net decrease in trade and other payables is due to a fall in trade payables of £0.45 million and a fall in accruals and deferred income of £0.58 million. Trade payables have fallen due to the normal effect of timing differences of invoices received around the year end. Accruals have fallen due to the Biscathorpe accrual of £0.51 million being released.

Other financial liabilities include a loan facility held with Union Jack Oil plc of £1.01 million at the year end (2020: £Nil) and current lease liabilities of £0.13 million (2020: £0.15 million).

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

Financial Review

CONTINUED

Key performance indicators

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 2021	FOR THE YEAR ENDING 31 JULY 2020	CHANGE %
Revenues	£1.09 million	£0.96 million	13%
Total Comprehensive Income (Net Loss)	£(1.68) million	£(4.75) million	65%
Cash and cash equivalents	£1.96 million	£0.85 million	131%
Net Current Assets/(Liabilities)	£0.14 million	£(0.33) million	142%
Equity	£27.42 million	£26.67 million	3%
Production Volumes	32,686 boe	53,070 boe	(38.4)%
No. of Licences	38	42	(10)%
Best Estimate Resources	424 mmboe	672 mmboe	(37)%*
Reportable Health and Safety Incidents	0	0	0%

* The reduction in Best Estimate Resources is due to relinquishments of certain unconventional resources licences.

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 using 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 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. The Directors remain of the view 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

Political risk, detrimental regulatory and fiscal changes presenting a high risk both financially and operationally	Develop sustainable relationships with Government ministries and collaborate with industry bodies to communicate interests to Government authorities. Actively engage with and lobby regulatory bodies. Consult with independent advisors and law enforcement agencies on matters of security. Pursue an adaptable business model to respond to changes in the political landscape.
Oil and gas price volatility presenting a high risk both financially and operationally	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.
Delays and refusal of planning permission for operation	Develop professional, well-supported planning applications using highly experienced advisors and consultants. Engage with stakeholders early in process to determine any specific problems and likelihood of a successful outcome. Active community engagement with retained PR consultant to assist in process. Pursue planning appeals as appropriate.
Civil Unrest/Protester Action disrupts drilling/testing operations resulting in time and costs overruns on operations and inability to conduct work as planned	Communicate Group's commitment to reducing emissions and participate in the energy transition. 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. Consider the use of injunctions against unlawful protester activity as required.
National and international public health or other emergency impacting business operations	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.

Inherent risks & mitigation

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

2 November 2021

Corporate Governance Statement

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 7 to 18 and the Corporate Governance section on pages 19 to 25. 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 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 2021.

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 regulators and as an active member of UKOOG, the onshore oil and gas industry body, engages on strategic matters with Government and 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. Wressle, 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 strategic objectives underpin all decision-making. Material decisions taken in the year include decisions to continue the development of Wressle, to progress plans for exploration at Biscathorpe and North Kelsey, to relinquish or retain certain licences and the decision to maintain cost controls and to introduce funding via debt and equity sources during the year.

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.

Corporate Governance Statement

CONTINUED

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.

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 can 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.

During the period the Board continued to ensure compliance with all laws and guidance in respect of COVID-19. The Board continued to meet using remote means throughout the period and maintained a temporary 20% reduction in salaries to reflect the challenges of the ongoing 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 and a follow up call with any issues or recommendations reported and actions identified to address these.

The latest review undertaken in October 2021 and concluded that the Board was generally functioning well and identified key areas of focus and improvement for the coming period.

Although COVID-19 has prevented the Board meeting in person, the Board has still met regularly throughout the year using Internet video conferencing. 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 st July 2021	11 ^{1, 2}	2	1
<i>Executive Directors</i>			
Mark Abbott	11	–	–
Martin Durham	10	–	–
<i>Non-Executive Directors</i>			
Philip Stephens	9	2	1
Tim Davies	10	–	–
Ken Ratcliff	9	2	1
Walter Roberts	10	–	1

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

² One meeting was minuted as two separate meetings in order to produce signed minutes on the same day. These figures ignore that split and count those two meetings as being parts of just one meeting.

Corporate Governance Statement

CONTINUED

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	<p>Egdon's strategy is explained fully within the Strategic Report section on pages 7 to 18 of the Report and Financial Statements for the year ended 31 July 2021.</p> <p>Our strategy is focused around four near term objectives as detailed on page 8 of the Strategic Report.</p> <p>The key risks to the business and how these are mitigated are detailed on pages 17 to 18 of the Report and Financial Statements for the year ended 31 July 2021.</p>
2. Seek to understand and meet shareholder needs and expectations	<p>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.</p> <p>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.</p> <p>Research is made available through the Company's brokers and through Edison Investment Research Limited to ensure that a non-introspective viewpoint is also available to private and institutional investors alike.</p> <p>Although COVID-19 restrictions resulted in the last AGM being closed to shareholders, the Board recognises the AGM as an important opportunity to meet private shareholders. The Board encourages open questioning and sought shareholder questions in advance of the last closed AGM via email/internet. Subject to Government guidance it is intended the next AGM will be held in person.</p> <p>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.</p> <p>The largest shareholder (Petrichor Holdings Coöperatief, U.A.) does not currently have a seat on the Board.</p> <p>The second largest shareholder (Harbour Energy plc) is currently represented on the Board by Tim Davies.</p>
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	<p>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 2021.</p> <p>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.</p>

QCA Code Principle	What Egdon does and why
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	<p>Risk Management on pages 17 to 18 of the Report and Financial Statements for the year ended 31 July 2021 details risks to the business, how these are mitigated and the change in the identified risk over the last reporting period.</p> <p>The Board formally reviews, reclassifies and tabulates the principal risks to the business on a regular basis and any update is reported at each board meeting. Whenever a change to the business environment is identified the Board considers whether this affects any particular risk or mitigation strategy.</p>

Maintain A Dynamic Management Framework

QCA Code Principle	What Egdon does and why
5. Maintain the board as a well functioning, balanced team led by the chair	<p>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.</p> <p>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 can take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.</p> <p>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.</p> <p>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.</p> <p>Audit Committee and Report</p> <p>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 twice in the year to 31 July 2021. 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.</p> <p>The Chairman of the committee, Ken Ratcliff, advised the Board of the outcome of the committee's deliberations and remains available for direct approach from the auditors should that be necessary.</p>

Corporate Governance Statement

CONTINUED

QCA Code Principle	What Egdon does and why
	<p>Remuneration Committee and Report</p> <p>A Remuneration Committee has been established and its current members comprise Walter Roberts (Chairman), Philip Stephens and Ken Ratcliff. The principal objective of the Remuneration Committee is to ensure that members of the Executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group. The Company's policy is to remunerate senior Executives fairly in such a manner as to facilitate the recruitment, retention, and motivation of staff. The Remuneration Committee agrees with the Board a framework for the remuneration of the Chairman, the Executive Directors, and the senior management of the Company. Non-executive fees are considered and agreed by the Board as a whole. The Remuneration committee plans to meet at least twice in each year to consider salary increases for Executive and Non-executive Directors and did so once in the year to 31 July 2021, there were various ad-hoc discussions between members during the year, usually as part of main Board meetings. During the year the committee decided there would be no changes to the remuneration of for Executive and Non-executive Directors and senior management, which is detailed in Note 7 of the Financial Statements.</p> <p>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%.</p> <p>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.</p>
<p>6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p>	<p>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.</p> <p>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.</p> <p>Individual Directors are active in other businesses and activities relevant to their specific skills and attend ad-hoc training, seminars and conferences. The Board is aware of the gender imbalance of the current Board and will look to address this matter over time.</p>
<p>7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>The Board carries out an evaluation of its performance annually, taking into account the Financial Reporting Council's Guidance on Board Effectiveness.</p> <p>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.</p> <p>All continuing Directors stand for re-election at least every 3 years.</p>

QCA Code Principle	What Egdon does and why
8. Promote a corporate culture that is based on ethical values and behaviours	<p>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.</p> <p>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.</p>
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	<p>This Corporate Governance Statement details the Company's governance structures and why they are appropriate and suitable for the Company.</p>

Build trust

QCA Code Principle	What Egdon does and why
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<p>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.</p> <p>Research is made available through the Company's brokers and through Edison Investment Research Limited to ensure that a non-introspective viewpoint is also available to private and institutional investors alike.</p> <p>Although COVID-19 restrictions resulted in the last AGM being closed to shareholders, the Board recognises the AGM as an important forum to meet private shareholders and the next AGM will be held in person (subject to Government guidance). 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. All such presentations are also made available via Egdon's website www.egdon-resources.com.</p> <p>Investors also have access to current information on the Company through its website 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.</p>

Board of Directors



Philip Stephens
Non-Executive Chairman
(appointed 21 October 2004)

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



Martin Durham
Technical Director
(appointed 8 January 2019)

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 a past President of the PESGB (2019).



Mark Abbott
Managing Director
(appointed 26 August 1997)

Mark is a founding Director of Egdon Resources plc. He worked for the British Geological Survey from 1985 to 1992, British Gas Exploration and Production Limited from 1992 to 1996 and Anadarko Algeria Corporation from 1996 to 1997. He is a council member of UKOOG and a trustee of the UK Onshore Geophysical library. He is also a director of MA Exploration Services Limited and Bishopswood Pavilion Limited. Mark is an experienced geophysicist and project manager with in-depth knowledge of the Company's assets. He has significant experience in all aspects of running an AIM listed oil and gas business.



Walter Roberts
Non-Executive Director
and Company Secretary
 (appointed 30 July 2001)

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



Ken Ratcliff
Non-Executive Director
 (appointed 30 July 2001)

Ken is a chartered accountant. Ken was non-executive Chairman of Infrastrata plc and has previously held senior management positions with GDC UK Limited, Ensign Geophysics Limited, Seismic Geocode Limited, Tenneco Corporation and Merlin Geophysical Limited. Ken is a JP and has been a long serving Presiding Justice and Tier 1 Judge in the Family Court. He currently serves 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 Davies
Non-Executive Director
 (appointed 12 April 2019)

Tim has extensive knowledge in respect of both the technical and commercial aspects of the oil and gas sector having helped shape Premier Oil's North Sea exploration strategy and evolution through significant organic and inorganic growth. He has also held global new ventures roles with Conoco, Hess, Premier Oil and Harbour Energy. At Premier, Tim was closely involved with the Catcher and Zama discoveries and developments. A qualified non-executive director, with over 24 years of experience in the oil and gas business as geoscientist and manager. Tim utilises his extensive subsurface knowledge to provide technical oversight for the business.

Directors Report

The Directors submit their report together with the audited consolidated financial statements of Egdon Resources plc for the year ended 31 July 2021.

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 (2020: None).

Results and dividends

The Group recorded a loss after tax of £1.68 million for the year (2020: £4.75 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 516,777,031 Ordinary shares are in issue and fully paid (2020: 328,315,625). During the year 115,228,000 (2020: 25,000,000) Ordinary shares were issued and 73,233,406 Ordinary shares were issued through the conversion of loan notes.

Substantial shareholders

As of the date of this report the Company had been notified of the following interests of 3% or more in the Company's Ordinary share capital:

	% SHARES
Petrichor Holdings Coöperatief U.A.*	46.03%
Harbour Energy plc	8.96%
Canaccord Genuity Group Inc.	3.86%
Hargreaves Lansdown Asset Management	4.95%

No Directors hold 3% or more in the Company's share capital.

* Petrichor shareholding includes Petrichor Holdings Cooperativ, Petrichor Partners LLP and that of concert party Jalapeño Corporation's holding.

Directors

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

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

Financial instruments

The financial risk management objectives and policies of the Company in relation to the use of financial instruments and the exposure of the Company and its subsidiary undertakings to its main risks, credit risk and liquidity risk, are set out in Note 22 to the financial statements.

Employees

The Group had 11 employees as at 31 July 2021 (2020: 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 7 to 12.

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. Further detail is given in Note 2.

Subsequent events

Note 33 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

2 November 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 international accounting standards in conformity with the requirements 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 international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

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

Opinion

We have audited the financial statements of Egdon Resources plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 July 2021 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements 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 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- 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 listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the future cash flow forecasts prepared by management and challenging the inputs and assumptions included in the forecasts.
- Comparing forecasts with actuals in the year and post year-end.
- Reviewing sensitivity analysis prepared by management to assess the effect of changing key assumptions.

Please see further detail regarding procedures performed in the Key audit matters section of our report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Emphasis of matter – Carrying value of unconventional assets

We draw attention to Note 14 to the Financial Statements ("Intangible Fixed Assets"), which describes the uncertainties the Group is facing as a result of the UK moratorium on hydraulic fracturing. Management has considered the recoverability of the exploration and evaluation assets on the basis that this moratorium will be lifted in the future, but there is uncertainty around this outcome and should the moratorium not be lifted the carrying value would become impaired. Our opinion is not modified in respect of this matter.

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

CONTINUED

Key audit matters

In addition to the matter described in the Emphasis of Matter section above we identified the key audit matters described below as those that were of most significance in the audit of the financial statements of the current period. 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.

In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

Key audit matter	Description of risk	How the matter was addressed in the audit
Going concern	As disclosed in Note 2, the Group's forecasts to the end of 2022, prepared by Management and approved by the Board, show that the Group is able to continue as a going concern without the need to obtain additional finance. However, that is reliant on operational cash inflows which will be impacted by commodity price fluctuations.	<p>We challenged the assumptions used in the preparation of the forecasts. As part of our procedures we:</p> <ul style="list-style-type: none"> assessed whether the cashflow forecasts were consistent with our knowledge of the business, including its post year end performance; reviewed the sensitivity analysis performed by management; assessed whether the cash inflows forecast were consistent with forward commodity prices; assessed whether the forecasts were consistent with the impairment reviews prepared (and discussed below); and reviewed bank statements to monitor the cash position of the group post year end.

Key audit matter	Description of risk	How the matter was addressed in the audit
Carrying values and impairment of exploration and evaluation costs and development and production assets	<p>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.</p> <p>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.</p>	<p>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:</p> <ul style="list-style-type: none"> 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 disclosures in respect of the government moratorium are appropriate, and whether the treatment and disclosures are consistent with other investors in unconventional assets in England.
Revenue recognition	<p>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.</p>	<p>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.</p>

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

CONTINUED

Key audit matter	Description of risk	How the matter was addressed in the audit
Carrying values and impairment of the Parent Company's investment in its subsidiaries and balances due to the Parent Company from its subsidiaries	<p>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.</p> <p>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.</p>	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 ("group FS materiality") was set at £1,000,000. 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 company in assessing the group's performance. FS materiality represents 3.7% of the group's net assets as presented on the face of the consolidated Statement of Financial Position, slightly lower than the % used in the prior year due to uncertainties in the industry in the current year.

The materiality for the parent company financial statements as a whole ("parent FS materiality") was set at £800,000. This has been determined with reference to the benchmark of the parent company's net assets as it exists only as a holding company for the group and carries on no trade in its own right. Parent FS materiality represents 2% of the parent company's net assets as presented on the face of the parent company Statement of Financial Position.

Performance materiality for the group financial statements was set at £800,000, being 80% of group FS materiality, for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have set it at this amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds FS materiality. We judged this level to be appropriate based on our understanding of the group and its financial statements, as updated by our risk assessment procedures and our expectation regarding current period misstatements including considering experience from previous audits. It was set at 80% to reflect the fact that few misstatements were expected in the current period and our experience of management's attitude to proposed adjustments.

Performance materiality for the parent company financial statements was set at £640,000, being 80% of parent FS materiality. It was set at 80% to reflect the fact that few misstatements were expected in the current period and our experience of management's attitude to proposed adjustments.

An overview of the scope of the audit

The Group had four reporting components during the year, all of which were UK limited companies. We are appointed auditor and have performed audits of the financial statements of three of these companies. The fourth reporting component is dormant and immaterial to the Group financial statements.

The Group's assets and liabilities are located in the UK and all Group entities have common management and centralised process and controls. All our audit work was 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 contained within the Annual Report and Financial Statements. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions 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 Overview, Strategic Report and the Governance sections for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Overview, Strategic Report and the Governance sections 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 Overview, Strategic Report and the Governance sections of the Annual Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 30 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

CONTINUED

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained a general understanding of the group's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations, the entity's policies and procedures regarding compliance, and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the company's industry and regulation.

We understand that the group complies with the framework through:

- Outsourcing management accounts preparation, financial statement preparation and tax compliance to external experts.
- Having a Board which includes members who are experienced professionals in oil and gas exploration and development, a number of whom have memberships of industry regulatory bodies.
- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change.
- The Executive Directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the group's ability to conduct its business, and where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the group:

- The Companies Act 2006 and International Financial Reporting Standards in respect of the preparation and presentation of the financial statements; and
- Health and Safety legislation; and
- Environmental, including oil and gas exploration, regulations.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations identified above:

- Made enquiries of Management, Those Charged with Governance; and
- Reviewed Board Meeting minutes.

The senior statutory auditor led a discussion with members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The areas identified in this discussion were:

- Carrying values and impairment of exploration and evaluation costs and development and production assets
- Carrying values and impairment of intercompany balances, and investments in subsidiaries
- Going concern
- Revenue recognition
- Manipulation of the financial statements by management

These areas were communicated to the other members of the engagement team not present at the discussion.

In addition to the procedures set out in the Key Audit Matters section, we performed the following to gain evidence as to the above areas:

- Testing of manual journal entries, selected based on specific risk assessments applied based on the group and parent company's processes and controls surrounding manual journal entries.

Overall, the senior statutory auditor was satisfied that the engagement team collectively had the appropriate competence and capabilities to identify or recognise irregularities. In particular, both the senior statutory auditor and the audit manager have a number of years' experience in dealing with companies subject to AIM regulations.

A further description of our responsibilities is available 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

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
2 November 2021

Onslow House
Onslow Street
Guildford
GU1 4TL

Consolidated Statement of Comprehensive Income

for the year ended 31 July 2021

	NOTE	2021 £	2020 £
Revenue – continuing	3	1,092,735	963,620
Cost of sales:			
– exploration costs written-off and pre-licence costs		(206,156)	(193,953)
– impairments – Intangible fixed assets		(276,362)	(1,171,591)
– impairments – Property, plant and equipment		–	(1,663,473)
– depreciation		(183,711)	(162,646)
– direct production costs		(918,689)	(1,215,968)
– other, including shut-in fields		(190,573)	(187,783)
– release of Ceres contract asset		–	(99,704)
Total cost of sales		(1,775,491)	(4,695,118)
Gross loss		(682,756)	(3,731,498)
Administrative expenses		(862,060)	(956,289)
Other operating income		156,616	61,204
		(1,388,200)	(4,626,583)
Finance income	10	50,616	48,212
Finance costs	11	(344,051)	(169,830)
Loss before taxation	4	(1,681,635)	(4,748,201)
Taxation	12	–	–
Loss for the year		(1,681,635)	(4,748,201)
Other comprehensive income for the year		–	–
Total comprehensive income for the year attributable to equity holders of the parent		(1,681,635)	(4,748,201)
Loss for the year per share			
Basic loss per share	13	(0.51)p	(1.53)p
Diluted loss per share	13	(0.51)p	(1.53)p

The notes on pages 45 to 75 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 July 2021

Company number 06409716

	NOTE	2021 £	2020 £
Non-current assets			
Intangible assets	14	21,241,378	21,451,306
Property, plant and equipment	15	8,719,310	7,986,094
Right-of-use asset	16	617,808	709,192
Trade and other receivables	18	384,831	403,486
Total non-current assets		30,963,327	30,550,078
Current assets			
Inventory		–	5,466
Trade and other receivables	18	1,084,992	1,831,859
Cash and cash equivalents	19	1,959,728	847,224
Total current assets		3,044,720	2,684,549
Current liabilities			
Trade and other payables	20	(1,772,284)	(2,870,526)
Other financial liabilities	21	(1,135,804)	(148,849)
Net current assets/(liabilities)		136,632	(334,826)
Total assets less current liabilities		31,099,959	30,215,252
Non-current liabilities			
Lease liabilities	21/23	(1,012,553)	(1,067,844)
Provisions	24	(2,669,107)	(2,477,503)
Net assets		27,418,299	26,669,905
Equity			
Share capital	25	17,118,649	15,234,035
Share premium	26	27,513,071	26,967,656
Share-based payment reserve		122,254	122,254
Convertible debt option reserve	27	–	–
Retained earnings		(17,335,675)	(15,654,040)
		27,418,299	26,669,905

The notes on pages 45 to 75 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 2 November 2021.

Mark Abbott

Managing Director

Company Statement of Financial Position

at 31 July 2021

Company number 06409716

	NOTE	2021 £	AS RESTATED * 2020 £
Non-current assets			
Property, plant and equipment	15	–	–
Right-of-use asset	16	84,223	105,727
Investments	17	14,172,924	14,172,924
Trade and other receivables	18	26,903,915	24,906,048
Total non-current assets		41,161,062	39,184,699
Current assets			
Trade and other receivables	18	54,869	47,451
Cash and cash equivalents	19	924,062	43,213
Total current assets		978,931	90,664
Current liabilities			
Trade and other payables	20	(158,440)	(192,281)
Other financial liabilities	21	(1,027,442)	(17,243)
Net current assets/(liabilities)		(206,951)	(118,860)
Total assets less current liabilities		40,954,111	39,065,839
Non-current liabilities			
Lease liabilities	21/23	(65,380)	(84,884)
Provisions	24	(20,525)	(20,525)
Net assets		40,868,206	38,960,430
Equity			
Share capital	25	17,118,649	15,234,035
Share premium	26	27,513,071	26,967,656
Merger reserve	28	2,357,816	2,357,816
Share-based payment reserve		122,254	122,254
Convertible debt option reserve	27	–	–
Retained earnings		(6,243,584)	(5,721,331)
		40,868,206	38,960,430

* Further details of the prior year restatement are shown in Note 34.

The notes on pages 45 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 £522,253 (2020: loss – £384,275).

The financial statements were approved by the Board of Directors and authorised for issue on 2 November 2021.

Mark Abbott

Managing Director

Consolidated Statement of Cash Flows

for the year ended 31 July 2021

	2021 £	2020 £
Cash flows from operating activities		
Loss before tax	(1,681,635)	(4,748,201)
Adjustments for:		
Depreciation and impairments of non-current assets	594,131	3,017,334
Increase in decommissioning provision – written off to cost of sales	28,908	1,996
Gain on disposal of fixed assets	–	(5,058)
Foreign exchange loss	4,525	12,594
Decrease/(increase) in inventory	5,466	(5,466)
Decrease/(increase) in trade and other receivables	696,675	(102,840)
(Decrease)/increase in trade and other payables	(1,057,412)	1,491,576
Finance costs	344,051	169,830
Finance income	(50,616)	(48,212)
Share based remuneration charge	–	8,968
Net cash flow used in operating activities	(1,115,907)	(207,479)
Cash flows from investing activities		
Finance income	–	755
Payments for exploration and evaluation assets	(384,827)	(842,320)
Purchase of property, plant and equipment	(719,288)	(58,713)
Sale of property, plant and equipment	209,872	31,376
Redemption of redeemable preference shares	50,000	–
Net cash used in capital expenditure and investing activities	(844,243)	(868,902)
Cash flows from financing activities		
Issue of convertible loan notes	1,051,035	–
Costs associated with issue of convertible loan notes	(67,236)	–
Issue of shares	1,440,350	500,000
Costs associated with issue of shares	(78,203)	(25,000)
Redemption of redeemable preference shares	(50,000)	–
Principal paid on lease liabilities	(77,071)	(91,481)
Interest paid on lease liabilities	(74,748)	(65,230)
Interest paid	–	(15)
Loan drawdown	1,000,000	–
Interest paid on loan	(66,948)	–
Net cash flow generated from financing	3,077,179	318,274
Net increase/(decrease) in cash and cash equivalents	1,117,029	(758,107)
Cash and cash equivalents at beginning of year	847,224	1,617,925
Effects of exchange rate changes on the balance of cash held in foreign currencies	(4,525)	(12,594)
Cash and cash equivalents at end of year	1,959,728	847,224

The notes on pages 45 to 75 form part of these financial statements.

In 2021 significant non-cash transactions included the recognition of the decommissioning provision of £80,000 and the convertible loan which was subsequently converted to equity.

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.

Company Statement of Cash Flows

for the year ended 31 July 2021

	2021 £	2020 £
Cash flows from operating activities		
Loss before tax	(522,253)	(384,275)
Adjustments for:		
Depreciation	21,504	19,624
Increase in trade and other receivables	(2,005,285)	(1,226,653)
(Decrease)/increase in trade and other payables	(33,841)	100,969
Finance costs	168,226	1,287
Share-based remuneration charge	–	8,968
Cash used in operations	(2,371,649)	(1,480,080)
Net cash flow used in operating activities	(2,371,649)	(1,480,080)
Cash flows from investing activities		
Acquisition of subsidiary	–	(100)
Net cash generated from capital expenditure and financial investment	–	(100)
Cash flows from financing activities		
Issue of convertible loan notes	1,051,035	–
Costs associated with issue of convertible loan notes	(67,236)	–
Issue of shares	1,440,350	500,000
Costs associated with issue of shares	(78,203)	(25,000)
Principal paid on lease liabilities	(17,243)	(17,284)
Interest paid on lease liabilities	(9,257)	(1,287)
Loan drawdown	1,000,000	–
Interest paid on loan	(66,948)	–
Net cash flow generated from financing	3,252,498	456,429
Net increase/(decrease) in cash and cash equivalents	880,849	(1,023,751)
Cash and cash equivalents at beginning of year	43,213	1,066,964
Cash and cash equivalents at end of year	924,062	43,213

The notes on pages 45 to 75 form part of these financial statements.

In 2021 significant non-cash transactions included the recognition of the convertible loan which was subsequently converted to equity.

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.

Consolidated Statement of Changes in Equity

for the year ended 31 July 2021

	SHARE CAPITAL £	SHARE PREMIUM £	SHARE-BASED PAYMENT RESERVE £	CONVERTIBLE DEBT OPTION RESERVE £	RETAINED EARNINGS £	TOTAL EQUITY £
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	–	–	–	–	(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 of lapse of options	–	–	(251)	–	251	–
Balance at 31 July 2020	15,234,035	26,967,656	122,254	–	(15,654,040)	26,669,905
Loss for the year	–	–	–	–	(1,681,635)	(1,681,635)
Total comprehensive income for the year	–	–	–	–	(1,681,635)	(1,681,635)
Issue of shares	1,152,280	288,070	–	–	–	1,440,350
Share issue costs	–	(78,203)	–	–	–	(78,203)
Issue of convertible loan notes	–	–	–	28,406	–	28,406
Issue costs of convertible loan notes	–	–	–	(1,817)	–	(1,817)
Transfer on conversion of loan notes to equity - debt element	732,334	374,378	–	–	–	1,106,712
Issue costs of convertible loan notes	–	(65,419)	–	–	–	(65,419)
Transfer on conversion of loan notes to equity - equity element	–	26,589	–	(26,589)	–	–
Balance at 31 July 2021	17,118,649	27,513,071	122,254	–	(17,335,675)	27,418,299

The notes on pages 45 to 75 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 July 2021

	SHARE CAPITAL £	MERGER RESERVE £	SHARE PREMIUM £	SHARE-BASED PAYMENT RESERVE £	CONVERTIBLE DEBT OPTION RESERVE £	RETAINED EARNINGS £	TOTAL EQUITY £
Balance at 31 July 2019	14,984,035	2,357,816	26,742,656	113,537	–	(5,343,248)	38,854,796
Impact of adoption of IFRS 16	–	–	–	–	–	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 of 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
Loss for the year	–	–	–	–	–	(522,253)	(522,253)
Total comprehensive income for the year	–	–	–	–	–	(522,253)	(522,253)
Issue of shares	1,152,280	–	288,070	–	–	–	1,440,350
Share issue costs	–	–	(78,203)	–	–	–	(78,203)
Issue of convertible loan notes	–	–	–	–	28,406	–	28,406
Issue costs of convertible loan notes	–	–	–	–	(1,817)	–	(1,817)
Transfer on conversion of loan notes to equity – debt element	732,334	–	374,378	–	–	–	1,106,712
Issue costs of convertible loan notes	–	–	(65,419)	–	–	–	(65,419)
Transfer on conversion of loan notes to equity - equity element	–	–	26,589	–	(26,589)	–	–
Balance at 31 July 2021	17,118,649	2,357,816	27,513,071	122,254	–	(6,243,584)	40,868,206

The notes on pages 45 to 75 form part of these financial statements.

Notes Forming Part of the Financial Statements

for the year ended 31 July 2021

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) in conformity with the requirements of the Companies Act 2006. 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.

2020-21 has seen improving operating and macro-economic conditions for the oil and gas industry and the Group has seen a commensurate improvement in trading and future expected cash-flow coming from Wressle and increased profitability from Ceres.

Forward cash flows necessarily include assumptions as to the timing and value of production from the Group's assets. Whilst there is currently no evidence that the timing or value of these revenues is unrealistic, the Directors acknowledge that disruptions to production, along with changes in both oil and gas prices give some level of uncertainty in respect of the timing of future cash flows. The Directors have undertaken stress testing of the forward commodity price assumptions with particular focus on oil price and determined that these assumptions remain valid notwithstanding a possible moderate reduction in forecast 2022 realised oil price from \$68.44 per barrel, without impacting planned expenditure. The Group also has flexibility in relation to the timing and quantum of future expenditures and by deferring certain costs the forecast remains valid under circumstances where a fall in realised oil prices in excess of 30% in 2022 could be accommodated. In addition, although not assumed in the going concern forecasts, the Group also has options to access additional sources of funding if required via farm-out, sales, new lending or the issue of new equity.

After preparing cash flow forecasts and considering the results of stress tests to certain assumptions, and having made enquiries, 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 ongoing national and international public health emergency. The primary concern and focus for the Company has been the health and safety of our employees, contractors and other stakeholders. In this regard, Egdon's office-based employees have worked from home throughout the Year and we have established procedures and plans to ensure continued safe operations at our sites. We will continue to monitor the situation and act within Government guidelines, but do not anticipate any adverse impacts to our production operations.

Predicted future cash flows are dependent upon continuing operations at our producing sites which if operating conditions deteriorate significantly could be negatively impacted. However, at the present time with the roll-out of vaccines and the opening up of society, we have a reasonable expectation that there will be no significant adverse impact on these assets due to the pandemic.

Our plans for drilling at North Kelsey (PEDL241: Egdon 50%) have again been adversely impacted by COVID-19 and we will be applying for a further extension to the current planning beyond 31 December 2021 to enable works to be undertaken during 2022.

Notes Forming Part of the Financial Statements

CONTINUED

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.

Impact of new international reporting standards, amendments and interpretations

New standards, interpretations and amendments

New standards impacting the Group that have been adopted in the financial statements for the year ended 31 July 2021, but have not had a significant effect on the Group are as follows:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative – Definition of Material); and
- Revisions to the Conceptual Framework for Financial Reporting.
- Definition of a Business (Amendments to IFRS 3); and
- COVID-19-Related Rent Concessions (Amendments to IFRS 16).

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The following amendments are effective for the period beginning 1 August 2021:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Interest Rate Benchmark Reform – IBOR 'phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

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.

2 Accounting Policies (continued)

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 arose under a contractual arrangement between parties sharing capacity through the pipeline that was used to bring gas from the Ceres gas field onshore.

The contractual back-out arrangement sought 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 could be recovered from the original users. However, this arrangement has now terminated and there is no contract asset recognised at 31 July 2021.

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.

Notes Forming Part of the Financial Statements

CONTINUED

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

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

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

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

Intangible assets – other

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

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

Impairment of intangible assets

E&E assets are reviewed annually for impairment and these are grouped with the development and production assets belonging to the same exploration area to form the Cash Generating Unit ("CGU") for impairment testing. The equivalent combined carrying value of the CGU is compared against the CGU's recoverable amount and any resulting impairment is written-off to cost of sales in the Statement of Comprehensive Income. The recoverable amount of the CGU is determined as the higher of its fair value less costs to sell and its value in use. E&E assets which are relinquished are written-down immediately in the accounting period of the relinquishment date. If the impairment tests indicate that the circumstances resulting in a previous impairment charge have recovered so that the asset's recoverable amount exceeds its carrying value, previous impairments are reversed and a gain is recognised in cost of sales. Impairment reversals will not exceed any previous impairment write-offs.

Property, plant and equipment – development and production assets

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

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

Costs relating to each cost centre are depleted on a unit of production method based on the commercial proven reserves for that cost centre. Development assets are not depreciated until production commences. The depreciation calculation takes account of the residual value of site equipment and the estimated future costs of development of recognised Proven and Probable Reserves, based on current price levels. Changes in reserve quantities and cost estimates are recognised prospectively.

On disposal of any part of a D&P asset, proceeds are credited to the Statement of Comprehensive Income, less the percentage cost relating to the disposal.

2 Accounting Policies (continued)

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.

Onerous contract provision

Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefit expected to be received under it, a provision is made for the present value of the obligations.

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 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.

Notes Forming Part of the Financial Statements

CONTINUED

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 made adjustments to the lease liability, and subsequently the interest due on the lease, as a result of changes in the percentage interest held by the Group for the licence PEDL241 at North Kelsey.

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 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.

Inventory

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

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The cash and cash equivalent amount in the Statements of Cash Flows includes overdrafts where relevant.

2 Accounting Policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Trade 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.

Notes Forming Part of the Financial Statements

CONTINUED

Convertible debt

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and is recognised in the "Convertible debt option reserve" within shareholders' equity, net of income tax effects.

On conversion of the convertible loan notes, the debt component is transferred to equity and allocated between share capital and share premium. The equity component is transferred from the convertible debt option reserve to share premium.

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

2 Accounting Policies (continued)

- Assessing contingent consideration on acquisition
- Estimating decommissioning and reinstatement liabilities
- Determining going concern
- 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.

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 2021 and 2020 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

Notes Forming Part of the Financial Statements

CONTINUED

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 (2020: £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 24.

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.

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

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, 100% (2020: 79%) 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 2021 and 2020 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:

	2021 £	2020 £
Revenue from gas sales	680,558	693,527
Revenue from oil sales	412,177	270,093
	1,092,735	963,620

4 Loss before Taxation

	2021 £	2020 £
The loss for the year before taxation is stated after charging/(crediting):		
Auditor's remuneration (see Note 5)	58,715	65,371
Depreciation	205,215	182,270
Impairments – intangible fixed assets	276,362	1,171,591
Impairments – property, plant and equipment	–	1,663,473
Gain on disposal of assets	–	(5,058)
Exploration and appraisal costs written-off	112,554	–
Pre-licence costs expensed	93,602	193,953
Foreign exchange loss	4,525	12,594
Share based payment	–	8,968

5 Auditor's Remuneration

	2021 £	2020 £
Audit services:		
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	23,830	20,350
Other services:		
The auditing of financial statements of subsidiaries of the Company	30,560	31,545
Audit related assurance services	4,325	6,400
All other services	–	7,076
Total audit and other services	58,715	65,371

Notes Forming Part of the Financial Statements

CONTINUED

6 Employee Information

	2021 £	2020 £
Employee costs for the Group and Company during the year amounted to:		
Wages and salaries	613,360	749,187
Social security costs	76,340	93,750
Pension costs	37,972	51,837
	727,672	894,774

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

	2021 NUMBER	2020 NUMBER
Management and administration	11	11

7 Remuneration of Directors and Key Management

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

	2021 £	2020 £
Group and Company		
Directors' emoluments	342,125	411,600
Medical cover	5,804	5,843
Employer's national insurance contributions	41,127	51,062
Short-term employment benefits	389,056	468,145
Post-employment benefits	35,113	39,431
Share based payment attributable to Directors	–	4,291
	424,169	511,867

7 Remuneration of Directors and Key Management (continued)

The emoluments and compensation of individual Directors were as follows:

	SALARY AND FEES £	MEDICAL £	PENSION (NOTE 9) £	TOTAL 2021 £	TOTAL 2020 £
M Abbott	135,917	2,702	3,900	142,519	194,997
P Stephens	37,875	–	–	37,875	40,125
K Ratcliff	25,250	–	–	25,250	26,750
W Roberts	–	–	24,900	24,900	29,164
M Durham	126,250	3,102	6,313	135,665	147,645
T Davies	16,833	–	–	16,833	17,833
	342,125	5,804	35,113	383,042	456,514

The emoluments of the highest paid Director excluding Employer NI and pension contributions were £138,619 (2020: £186,130).

Life policy and critical illness premiums of £896 (2020: £5,378) were paid in respect of the Managing Director and Directors' indemnity insurance premiums of £17,290 (2020: £14,905) were paid in respect of all Directors.

Directors' share options outstanding at 31 July 2021 and at 31 July 2020:

	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 2021				
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 2020, 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.

Notes Forming Part of the Financial Statements

CONTINUED

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 2021					
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

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 previous share options granted in the year ended 31 July 2019:

	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

8 Share-Based Payment Plans (continued)

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

	2021 NUMBER	2021 WAEP (PENCE)	2020 NUMBER	2020 WAEP (PENCE)
Opening balance	11,126,349	11.29	11,183,483	11.27
Granted during the year	-	-	-	-
Lapsed during the year	-	-	(57,134)	7.85
Exercised during the year	-	-	-	-
Outstanding at 31 July 2020	11,126,349	11.29	11,126,349	11.29

The weighted average remaining contractual life of share options outstanding as at 31 July 2021 is 5.77 years (2020: 6.77 years). At 31 July 2021, 11,126,349 (2020: 11,126,349) of the total number of share options outstanding could be exercised and these options had a weighted average exercise price of 11.29 pence (2020: 11.29 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 £13,072 (2020: £28,273) 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

	2021 £	2020 £
Interest receivable on net investment in sub-lease	50,616	47,457
Interest receivable on short-term deposits	-	755
	50,616	48,212

11 Finance Costs

	2021 £	2020 £
Unwinding of decommissioning discount	59,718	56,373
Other finance charges	74,886	15
Interest on lease liabilities	125,364	113,442
Interest on convertible loans	84,083	-
	344,051	169,830

Notes Forming Part of the Financial Statements

CONTINUED

12 Income Tax

The major components of income tax expense for the years ended 31 July 2021 and 2020 are:

	2021 £	2020 £
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 2021 and 2020 is as follows:		
Accounting loss before tax from continuing operations	(1,681,635)	(4,748,201)
Loss multiplied by the standard rate of tax of 19.00% (2020: 19.00%)	(319,511)	(902,158)
Expenses not permitted for tax purposes	16,839	10,711
Movement in unrecognised deferred tax assets	302,672	891,447
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 £56,331,362 (2020 – £53,587,367) 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 £9,365,525 (2020 – £9,058,062) at the year end, calculated at a rate of 30% (2020 – 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 2021 is based on the rate applicable to ring-fenced activities as for 2020. This is represented by accumulated tax losses of £56,331,362 (2020 – £53,587,367) and short-term timing differences in respect of provisions of £2,648,582 (2020 – £2,456,978) offset by accelerated capital allowances of £27,761,528 (2020 – £25,850,803).

13 Loss Per Share

	2021 £	2020 £
Basic loss per share		
Loss for the financial year	(1,681,635)	(4,748,201)
Basic weighted average Ordinary shares in issue during the year	331,615,357	309,822,474
	PENCE	PENCE
Basic loss per share	(0.51)	(1.53)
Diluted loss per share		
Loss for the financial year	(1,681,635)	(4,748,201)
Diluted weighted average Ordinary shares in issue during the year	331,615,357	309,822,474
	PENCE	PENCE
Diluted loss per share	(0.51)	(1.53)

The share options are not dilutive in 2021 or 2020 as a loss was incurred.

14 Intangible Fixed Assets

Group	EXPLORATION AND EVALUATION COSTS £	OTHER INTANGIBLES £	TOTAL £
At 1 August 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
Additions	388,860	–	388,860
Disposals	(209,872)	–	(209,872)
Exploration written off	(112,554)	–	(112,554)
Impairment charge	(276,362)	–	(276,362)
At 31 July 2021	21,111,419	129,959	21,241,378
Net book value			
At 31 July 2021	21,111,419	129,959	21,241,378
At 31 July 2020	21,321,347	129,959	21,451,306
At 31 July 2019	21,650,618	129,959	21,780,577

Exploration and evaluation costs

Exploration and evaluation costs represent the Group's unevaluated oil and gas interests at 31 July 2021. 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% (2020 – 10%) and gas prices per therm of 51p – 117p (2020: 26.5p – 40p) or oil prices per barrel of US\$63.0 – US\$71.8 (2020: US\$43 – US\$60). 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 2021 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.

Current year

The Directors have considered the potential impact of the moratorium on hydraulic fracturing for shale-gas on the Group's non-core unconventional asset portfolio following the impairment of certain less prospective and non-core assets in the prior year. No further impairments of non-core licences are considered necessary as a consequence of the moratorium in 2021.

Notes Forming Part of the Financial Statements

CONTINUED

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 2021, the book value of the Group's unconventional assets was £16.3 million (2020 – £15.15 million). This increase is due to costs relating to repurposing of a site, not additional costs incurred on assets.

An impairment charge of £276,362 has been recognised in relation to licences PL161 and PL162. The impairment arises as these licences are no longer deemed to have value following the lapse of the related farm-out.

Exploration write offs totalling £112,554 have been recognised in relation to licences PEDL339, PEDL258, PEDL259 and PEDL202. These licences were relinquished during the year.

During the year the Company recognised disposals of £109,872 and £100,000 in relation to the farm out of licence interests. The disposal of £109,872 has been recognised following the farm out agreement with Shell U.K. Limited for 70% of the UK offshore licence interest held on P1929 and P2304 which contain the Resolution and Endeavour gas discoveries respectively. The disposal of £100,000 relates to the agreement to align the equity interest in PEDL241 on a 50:50 basis between the Company and its partner Union Jack Oil plc.

Prior year

The Directors considered the potential impact of the moratorium on hydraulic fracturing for shale-gas. In light of the moratorium and updated technical information the Directors reviewed the portfolio of unconventional assets and believed it prudent and appropriate to impair certain less prospective and/or non-core licences at this time. These comprised licences in the so-called Welbeck Low in the East Midlands and in NW England and included PEDLs 001, 039, 130, 202 and EXL253. These impairments totalled £0.53 million.

However, the Directors 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 was on pause. The Directors remained optimistic that it would be possible to demonstrate that hydraulic fracturing for shale-gas in this core basin could be undertaken in a safe and environmentally responsible manner and that this could result in the lifting of the hydraulic fracturing moratorium. As at 31 July 2020, the book value of the Group's unconventional assets were £15.15 million.

The Directors 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 therefore relinquished the licence. This impairment was for the full value of the asset (£0.64 million). The total value of impairments was therefore £1.17 million.

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 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
Additions	818,233	–	–	818,233
At 31 July 2021	22,141,803	34,919	103,911	22,280,633
Depreciation				
At 1 August 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
Charge for the year	81,969	3,048	–	85,017
At 31 July 2021	13,423,000	34,412	103,911	13,561,323
Net book value				
At 31 July 2021	8,718,803	507	–	8,719,310
At 31 July 2020	7,982,539	3,555	–	7,986,094
At 31 July 2019	9,689,853	6,605	–	9,696,458

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 51p – 117p (2020 – 26.5p – 40p), or oil prices per barrel of US\$63.0 – US\$71.8 (2020 – US\$43 – US\$60) and a discount rate of 10% (2020 – 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 2021 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 £7.27 million (2020 – £5.98 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.

Notes Forming Part of the Financial Statements

CONTINUED

Current year

No impairment charges have been recognised in the current year.

Prior year

An impairment charge of £506,903 was recognised in relation to the Ceres Gas Field. The impairment arose as a consequence of the gas price forecast and operating pattern which 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 was £Nil and the asset was fully impaired to reflect this.

An impairment charge of £1,156,570 was recognised in relation to the Dukes Wood and Kirklington oil fields. The impairment arose 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 was Nil and the assets were fully impaired to reflect this.

Company	COMPUTER EQUIPMENT £	TOTAL £
Cost		
At 1 August 2019	27,168	27,168
Additions	–	–
At 31 July 2020	27,168	27,168
Additions	–	–
At 31 July 2021	27,168	27,168
Depreciation		
At 1 August 2019	27,168	27,168
Charge for the year	–	–
At 31 July 2020	27,168	27,168
Charge for the year	–	–
At 31 July 2021	27,168	27,168
Net book value		
At 31 July 2021	–	–
At 31 July 2020	–	–
At 31 July 2019	–	–

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
Additions	–	198	28,616	28,814
At 31 July 2021	125,351	192,755	500,274	818,380
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
Charge for the year	21,504	9,443	89,251	120,198
At 31 July 2021	41,128	20,531	138,913	200,572
Net book value				
At 31 July 2021	84,223	172,224	361,361	617,808
At 31 July 2020	105,727	181,469	421,996	709,192
At 31 July 2019	–	–	–	–

Notes Forming Part of the Financial Statements

CONTINUED

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
Additions	–	–
At 31 July 2021	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
Charge for the year	21,504	21,504
At 31 July 2021	41,128	41,128
Net book value		
At 31 July 2021	84,223	84,223
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 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
Balance at 31 July 2021	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 current and prior period.

18 Trade and Other Receivables

	GROUP 2021 £	GROUP 2020 £	COMPANY 2021 £	AS RESTATED * COMPANY 2020 £
Amounts falling due after more than one year:				
Amounts owed by subsidiaries*	–	–	26,903,915	24,906,048
Net investment in sub-lease (Note 23)	384,831	403,486	–	–
	384,831	403,486	26,903,915	24,906,048
Amounts falling due within one year:				
Trade receivables – balances due from customer contracts	180,178	45,897	–	–
Trade receivables – balances due from joint venture partners	579,416	939,056	–	–
VAT recoverable	–	53,158	16,527	14,383
Other receivables	13,419	63,419	–	–
Prepayments	267,325	676,313	38,342	33,068
Net investment in sub-lease (Note 23)	44,654	54,016	–	–
	1,084,992	1,831,859	54,869	47,451

* Further details of the prior year adjustment are shown in Note 34.

During 2019, one of the Company'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 was still outstanding at the end of the prior year. On 25 August 2020 the Company received funds totalling £0.78 million from Humber Oil & Gas Limited on behalf of the JV partnership in settlement of the dispute initiated in the prior year, which cleared this outstanding balance.

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 22.

Trade and other receivables represent amounts due from customers for the Group's oil and gas products and 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 2021 trade receivables of £Nil were considered to be impaired (2020 – £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 2021 trade receivables of £626,700 (2020 – £958,243) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2021 £	2020 £
Up to three months past due	169,722	41,637
Three to six months past due	17,959	33,416
Over six months past due	439,019	883,190
	626,700	958,243

The above past due balances include £Nil (2020 – £0.78 million) due from Humber Oil & Gas Limited. As at 31 July 2021, all of this balance had been cleared.

Other receivables do not contain impaired assets.

Notes Forming Part of the Financial Statements

CONTINUED

19 Cash and Cash Equivalents

	GROUP 2021 £	GROUP 2020 £	COMPANY 2021 £	COMPANY 2020 £
Short-term bank deposits	785,377	716,235	109	109
Cash at bank	1,174,351	130,989	923,953	43,104
	1,959,728	847,224	924,062	43,213

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.

20 Trade and Other Payables

	GROUP 2021 £	GROUP 2020 £	COMPANY 2021 £	COMPANY 2020 £
Amounts falling due within one year:				
Trade payables	1,197,490	1,649,969	87,491	43,933
Other taxation and social security	–	67,758	–	67,758
VAT payable	9,170	–	–	–
Other payables	–	7,254	–	1,199
Accruals and deferred income	565,624	1,145,545	70,949	79,391
	1,772,284	2,870,526	158,440	192,281

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

21 Other Financial Liabilities

	GROUP 2021 £	GROUP 2020 £	COMPANY 2021 £	COMPANY 2020 £
Amounts falling due after more than one year:				
Lease liabilities (Note 23)	1,012,553	1,067,844	65,380	84,884
	1,012,553	1,067,844	65,380	84,884
Amounts falling due within one year:				
Lease liabilities (Note 23)	127,866	148,849	19,504	17,243
Loans	1,007,938	–	1,007,938	–
	1,135,804	148,849	1,027,442	17,243

The loan facility held with Union Jack Oil plc is £1,007,938 (2020 – £Nil). The loan drawn down on 25 November 2020 has an 18 month term with the principal sum payable at the 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.

22 Financial Assets and Liabilities

The Group's objective is to minimise financial risk. The policies to achieve this are to fund operations from equity capital, and in the case of certain projects from debt and not to make use of derivatives. 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 also holds a third party loan with one of its joint venture partners at the year end. The Group is not subject to any other externally imposed capital requirements.

The Group's financial instruments comprise cash and cash equivalents, trade payables, accruals, loans, trade receivables and other receivables which arise directly from its operations. All financial assets (£3,236,464, 2020 – £2,819,614) and liabilities (£3,911,471, 2020 – £4,019,461) are recorded at amortised cost. The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk, foreign currency exchange risk and market risk. Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the Company's finance department.

Credit risk

The credit risk on liquid funds is limited because the Group policy is to only deal with counterparties with high credit ratings and the Group has facilities to deposit cash holdings with more than one institution. At year end, the Group had cash and cash equivalents of £1,959,728 (2020 – £847,224) and the Company £924,062 (2020 – £43,213). The balances at 31 July 2021 are held with one bank (2020 – one). Trade receivables comprise amounts due from trading entities and total £759,594 (2020 – £984,953) for the Group and £Nil (2020 – £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 £2,719,522 (2020 – £1,882,177); Company £32,862,801 (2020 – £29,984,085). 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.

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.

Notes Forming Part of the Financial Statements

CONTINUED

The Group's financial liabilities comprise trade and other payables as set out in Note 20, held at amortised cost, which total £1,763,114 (2020 – £2,802,768). Of this balance, £1,346,113 (2020 – £2,335,768) 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 23. Further to this the Group has a third party loan of £1,007,938 (2020 – £Nil) held with one of its joint venture partners at the year end. This loan is due for repayment on 25 May 2022.

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.

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 £7,854 (2020 – £7,162).

The Group's lease liabilities are categorised as fixed rate liabilities. The third party loan of £1,007,938 bears interest at a fixed rate of 11% per annum. The Group had no other fixed rate liabilities and no floating rate liabilities in 2020 or 2021.

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 2021 was £417,816 (2020 – £158,415); Company £Nil (2020 – £Nil). There were no financial liabilities denominated in foreign currencies at 31 July 2021 or 31 July 2020.

A 10% change in the sterling exchange rate would result in an increase or decrease of £41,782 (2020 – £15,841) 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 2021 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.

23 Leases

Group as a lessee

See Note 2 for nature of leases undertaken by the Group and Company

Group	2021 £	2020 £
Lease liabilities are due as follows:		
Not later than one year	127,866	148,849
Between one year and five years	399,889	458,462
More than five years	612,664	609,382
Total	1,140,419	1,216,693
Net investment in sub-lease are due as follows:		
Not later than one year	44,654	54,016
Between one year and five years	97,081	150,044
More than five years	287,750	253,442
Total	429,485	457,502

23 Leases (continued)

Company	2021 £	2020 £
Lease liabilities are due as follows:		
Not later than one year	19,504	17,243
Between one year and five years	65,380	84,884
More than five years	–	–
Total	84,884	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 2020	102,127	284,625	829,941	1,216,693
Additions	–	4,528	55,909	60,437
Interest expense	9,257	32,761	83,346	125,364
Lease payments	(26,500)	(36,810)	(198,765)	(262,075)
At 31 July 2021	84,884	285,104	770,431	1,140,419

24 Provisions for Liabilities

Group	OTHER PROVISIONS £	DECOM- MISSIONING PROVISION £	REINSTATEMENT PROVISION £	ONEROUS CONTRACT PROVISION £	TOTAL £
At 1 August 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
Provision created during the year	–	127,853	4,033	119,230	251,116
Release of provision	–	–	–	(119,230)	(119,230)
Unwinding of discount	–	59,718	–	–	59,718
At 31 July 2021	20,525	2,420,762	227,820	–	2,669,107

Company	OTHER PROVISIONS £	DECOM- MISSIONING PROVISION £	REINSTATEMENT PROVISION £	ONEROUS CONTRACT PROVISION £	TOTAL £
At 1 August 2019	20,525	–	–	–	20,525
Paid during the year	–	–	–	–	–
At 31 July 2020	20,525	–	–	–	20,525
Paid during the year	–	–	–	–	–
At 31 July 2021	20,525	–	–	–	20,525

Notes Forming Part of the Financial Statements

CONTINUED

At 31 July 2021 provision has been made for decommissioning costs on the productive fields at Wressle, 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 2022 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 (2020: £Nil) is estimated to be payable within one year.

The onerous contract provision for the Ceres Oil Field was recognised in the 31 January 2021 interim results. As at 31 January 2021 the assumptions used by the Directors in the impairment reviews indicated that the best estimate of the unavoidable costs to the Group under the contract was £119,230. This was due to the expected reduction to production volumes at lower commodity prices against increasing operating expenses creating a negative net present value of the discounted cash flow. The discounted cash flow assumed a discount rate of 10%. Without control over the sale of the gas, the negative cash flow forecast at 31 January 2021 indicated a provision should be made for the expected losses under the contract. At the year end, based on impairment reviews disclosed in Note 15, the oil field is expected to create a positive cash flow forecast due to the rising commodity prices. This indicates that a provision is no longer required and therefore this has been released.

25 Share Capital and Redeemable Preference Shares

	1P ORDINARY SHARES		1P DEFERRED SHARES		TOTAL £
	ALLOTTED, CALLED UP AND FULLY PAID				
	NUMBER	£	NUMBER	£	
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
Shares issued in the year	115,228,000	1,152,280	–	–	1,152,280
Conversion of loan notes	73,233,406	732,334	–	–	732,334
At 31 July 2021	516,777,031	5,167,770	1,195,087,887	11,950,879	17,118,649

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

	ALLOTTED, CALLED UP AND PARTLY PAID	
	NUMBER	£
At 31 July 2020	50,000	12,500
Paid up	–	37,500
Redemption of redeemable preference shares	(50,000)	(50,000)
At 31 July 2021	–	–

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.

25 Share Capital and Redeemable Preference Shares (continued)

On 20 July 2021, following an open offer, the Company issued 115,228,000 New Ordinary 1p shares for total cash consideration of £1,440,350. The nominal value of the shares was £1,152,280 and the additional share premium created totalled £288,070. In addition, each subscription share was granted a right to subscribe for 0.5 of a new Ordinary Share at a price of 2.5p per share, exercisable at any time until the date of the second anniversary of their issue.

On 20 July 2021, the convertible loan notes were converted to 73,233,406 New Ordinary 1p shares at an issue price of 1.55p. The nominal value of the shares was £732,334 and the additional share premium created was £402,784 with issue costs of £67,236.

On 28 July 2021, Infrastrata plc fully paid the previously part-paid £1 Redeemable Preference Shares held by it in Egdon Resources plc. These shares were then redeemed. On the same day Egdon Resources U.K. Limited fully paid the previously part-paid £1 Redeemable Preference Shares held by it in Infrastrata plc. These shares were then redeemed. As a result these reciprocal cross-holdings, which date from the division of the original company in 2007, have been eliminated at no net cost to the Group.

26 Share Premium Reserve

Shares issued during the year are detailed in Note 25.

Share costs associated with the open offer of £78,203 (2020 – £25,000) were offset against the premium generated on issue.

Issue costs associated with the issue of the convertible loan instrument of £67,236 (2020 – £Nil) were offset against the premium generated on issue.

The above share issues when added to the opening reserve as at 1 August 2020 of £26,967,656 resulted in a closing share premium reserve carried forward of £27,513,071 (2020 – £26,967,656).

27 Convertible Debt Option Reserve

The convertible debt option reserve includes the amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital), offset by any associated issue costs.

On conversion of the convertible debt the related equity component is transferred to the share premium reserve.

28 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

29 Movements in Cash and Cash Equivalents

Group	AS AT 31 JULY 2020 £	CASH FLOW £	EXCHANGE RATE MOVEMENTS £	AS AT 31 JULY 2021 £
Cash at bank	130,989	1,043,362	–	1,174,351
Short-term bank deposits	716,235	73,667	(4,525)	785,377
Cash and cash equivalents as per Statement of Financial Position	847,224	1,117,029	(4,525)	1,959,728

Company	AS AT 31 JULY 2020 £	CASH FLOW £	AS AT 31 JULY 2021 £
Cash at bank	43,104	880,849	923,953
Short-term bank deposits	109	–	109
Cash and cash equivalents as per Statement of Financial Position	43,213	880,849	924,062

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

30 Capital Commitments

Capital commitments of £77,284 (2020: £162,434) 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 2021.

31 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 2021 Pinnacle Energy Limited invoiced the Group £3,348 (2020 – £7,740) for legal and consultancy services provided at commercial rates and agreed by the Directors of the Company. At the year end £Nil was owing to Pinnacle Energy Limited (2020 – £9,288).

Petrichor Holdings Coöperatief U.A. holds 46.04% 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 £6,337 (2020 – £3,274) in respect of licence related costs. There was a balance of £4,942 outstanding at the year owed to the Group (2020 – £1,511 owed by the Group).

On 20 July 2021 Petrichor Holdings Coöperatief U.A. subscribed to purchase 530,480 shares for a total price of £663,100 as part of an open offer equity fund raising offer. This subscription has altered the percentage shareholding from 33.99% to 46.04%.

During the year the Directors subscribed to purchase 22,500 ordinary shares.

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

	2021 £	2020 £
Time costs	239,523	171,196
Overhead recharged in accordance with Joint Operating Agreement	66,696	39,407
	306,219	210,603

The balances due from companies with interests in jointly controlled operations in respect of these transactions as at 31 July 2021 and 31 July 2020 are set out below:

	2021 £	2020 £
Due from companies with interest in jointly controlled operations	40,917	3,841

The Company has a related party relationship with its subsidiaries in the course of normal operations.

31 Related Party and Other Transactions (continued)

During the year the Company provided management services and billed for time spent on subsidiary Company projects. The total amounts invoiced were as follows:

	2021 £	2020 £
Invoiced to subsidiary companies	805,635	951,821

As at 31 July 2021 the balance due to Egdon Resources plc from its subsidiary undertakings was £31,938,739 (2020 – £29,940,872) as shown in Notes 17 and 18.

32 Control of The Group

There is no ultimate controlling party of Egdon Resources plc.

33 Subsequent Events

At Wressle, a coiled tubing operation, a follow-up to the proppant squeeze operation, was completed in August 2021, with test production recommencing and flow rates exceeding pre-operational expectations. During September, we reported facility constrained instantaneous flow rates of up to 884 barrels of oil per day ("bopd") along with 480,000 cubic feet of gas (c. 80 barrels of oil equivalent per day). Wressle is already having a positive impact on the Groups revenues.

In September 2021 we were advised by Shell that the planned 3-D seismic survey across UK offshore licences P1929 and P2304 (Resolution and Endeavour gas discoveries respectively (Egdon 30%)) would not proceed on the original expected timeframe of February 2022. Subject to regulatory and Shell approval, we now anticipate that this could go ahead in February 2023.

On 1 November 2021 planning permission was refused for the Biscathorpe project. The Company will await the formal decision notice before taking advice and considering our options including an appeal.

34 Prior Year Adjustment

Upon reflection of the prior year financial statements, the directors consider it would be more appropriate to present amounts owed by Group undertakings of £24,906,048 (2019 - £23,638,822), previously presented within current assets, within non-current assets. Although the amounts were repayable on demand, there was no expectation that they would be repaid within twelve months and, therefore, they did not meet the criteria to be reclassified as current assets. The prior period Company financial statements have been restated to show these balances within non-current assets.

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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Accountants and Tax Advisors

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