22 October 2008 **Embargoed for 7.00am**

EGDON RESOURCES PLC

(“Egdon” or “the Company”)

Preliminary Results for the year ended 31 July 2008

Egdon Resources plc, the UK-based exploration and production company primarily focused on the hydrocarbon-producing basins of the onshore UK and Europe, today announces its Preliminary Results for the year ended 31 July 2008.

The Company is listed on AIM under the code EDR.

Overview and Highlights

Operational Highlights

- Balanced portfolio of 26 licences in onshore UK and France – providing exploration, development and near term production opportunities
- Oil production of 23,430 barrels during period from Keddington and Avington
- Acquisition of four licences from Stag Energy Limited including PEDL118 containing the Eakring-Dukes Wood abandoned oil field which is scheduled for rejuvenation
- Successful award of six licences in the 13th UK Landward Licensing round
- Pending award of two new licences onshore France
- Planning awarded for drilling at Eakring-Dukes Wood
- Significant work programme defined for 2008-9 intended to increase production and revenues

Financial and Corporate Highlights

- Successful admission of “new” Egdon Resources plc to AIM on 17 January 2008, following demerger of Gas Storage business, Portland Gas plc
- Transition to International Financial Reporting Standards (IFRS)
- Oil Revenues during the year of £1,121,624 (2007: £41,397)
- Loss for period from continuing operations of £2,376,262 (after exploration write-downs and pre-licence costs of £1,441,260 and demerger expenses of £453,389) (2007: £364,559)
- Loss per share from continuing operations for period of 3.52p (2007: 0.57p)
- Net funds as at 31 July 2008 £2.29 million (31 July 2007: £6.55 million (including funds subsequently transferred to Portland Gas))

Commenting on the results, Philip Stephens, Chairman of Egdon said

“Following the demerger of Portland Gas in January 2008, Egdon has returned to being a focused onshore European exploration and production company. We are pleased to be able to report revenues from sales of oil in the year of over £1.1 Million and that the Group has sufficient cash resources for our current drilling and development plans.

“Although our near-term focus is on increasing production and revenues from our production and development assets, Egdon’s portfolio has significant exploration upside for Shareholders, giving the Group a good platform for us to enter a new phase of growth.”

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Chairman's Statement

Overview

The results for the year include the results of Portland Gas plc for the period from 1 August 2007 until demerger on 16 January 2008. The demerger left the Group as an independent onshore European oil and gas exploration and production company. We have pursued a strategy of developing production and are pleased to report oil sales revenues of over £ 1.1 Million in the year under review.

Strategy

The aim of the Company is to become a profitable and material full cycle exploration and production business with a focus on onshore UK and European operations.

The Company's strategy is to remain geographically focused, with activity restricted to proven oil and gas producing areas of the onshore UK and mainland Europe. The Company has a near-term drive on production and revenue growth through the development and enhancement of its existing portfolio of oil and gas discoveries. The Company also has a strategic objective of adding value via reserve growth through an active exploration programme. Egdon will look to maintain material interests in its projects and be a licence operator where appropriate as well as continuing to actively pursue new projects via licence applications and asset acquisitions to expand the breadth and quality of its opportunity base.

Financial

The financial statements for the period are presented under IFRS for the first time. Continuing operations are defined as the Group's oil and gas exploration and production activities.

The loss from continuing operations during the period was £2,376,262 (2007: restated loss on continuing operations of £364,559). The loss for continuing operations for the year includes exploration write-downs and pre-licence costs of £1,441,260 and one-off demerger costs of £453,389. The Group (including gas storage operations to 16 January 2008) recorded a consolidated loss of £3,174,262 during the year (2007: restated loss after tax of £573,074). The Group loss includes a loss of £798,000 in relation to Gas Storage operations for the period from 1 August 2007 to the demerger of Portland Gas on 16 January 2008.

The Group had sustained oil production throughout the year with oil sales of £1,121,624 (2007: £41,397) on volumes of 23,430 barrels (2007: 1,091 barrels).

The Group had net current assets of £2,292,824 as at 31 July 2008 (2007: £6,548,877).

The Directors do not recommend the payment of a dividend (2007: £nil).

Operations

I am pleased to report that good progress has been made in a number of areas of Egdon's portfolio during the period.

UK Onshore

Following its acquisition in March 2007, and subsequent restoration to production in June 2007, the Keddington oil field in Lincolnshire has continued to produce at average rates of between 40-50 barrels of oil per day ("bopd") during the period. A full-technical review of the field has highlighted significant remaining potential and it is intended to drill a further well on the field to increase production levels and total field recovery. Planning consent is already in place for this well and drilling is scheduled for 2009.

A six month production test was undertaken during the period on the Avington-3z well, where Egdon holds a 20% interest. Avington-3z was completed as a horizontal production well in the Great Oolite reservoir. After an initial period of free-flow production, the well was completed with a jet-pump for a period of pumped test production. The well produced a total of 12,564 barrels net to Egdon during the six month test. The well is currently shut-in. The operator Star Energy Limited has now obtained the required approvals to put the Avington-3z and -2z wells back onto test production through enhanced facilities and also for the drilling of two further appraisal wells. It is anticipated that test production will re-commence during autumn 2008.

During October 2007, the Company completed the acquisition from Stag Energy Limited of 100% interests in four licences in the East Midlands for a consideration of £100,000 in cash and the allotment of 10,494 new Ordinary shares and a Gross Overriding Royalty of 5% of future production from the licences. The acquisition adds significant acreage to a core area and has the potential to add material reserves. The PEDL118 licence contains the Eakring-Dukes Wood oil field which produced 6.5 million barrels of oil from 1940 until abandonment in 1966 and achieved peak production of 1,600 bopd in 1941. The Company believes there is potential to rejuvenate the field to take advantage of higher oil prices, improved technology and the recognition of undrilled and undrained parts of the field.

It was recently announced that Egdon had received planning consent to drill an exploratory well at Whip Ridding Farm to test the Dukes Wood anticline in a crestal location. It is intended to spud the well during the fourth quarter of 2008.

Progress continues to be made in negotiations for a gas sales agreement for production from the Kirkleatham gas discovery in the operated licence PEDL068 where the Company holds a 20% interest. It is hoped to conclude an agreement during 2008 to enable development and production to progress through 2009. As previously reported Kirkleatham has the potential for conversion into a gas storage facility in due course.

Elsewhere in PEDL068 restoration of the Westerdale-1 well site was completed during late 2007. The Westerdale-1 well proved a separate northern closure to the Ralph Cross gas accumulation. A suitable well site has been identified for a possible Westerdale-2 well to test the main part of the Ralph Cross accumulation and progress is being made with a view to submitting a planning application in 2009 for further drilling.

During the year the Company drilled the Burton Agnes-1 exploration well in East Yorkshire licence PEDL071. The well confirmed the presence of a thick, good quality Leman sandstone reservoir and a viable petroleum system but the reservoir was water wet. Post-well evaluation has indicated that potential exists up-dip of the current well. Burton Agnes-1 was suspended and provides the option to sidetrack to this more elevated part of the structure. Egdon's costs in the well were carried by other participants.

UK Offshore

The Company also participated in offshore well 42/27a-3 which targeted the Tees Prospect, a Lower Permian Leman Sandstone structural closure mapped on 3D seismic data. The primary Leman Sandstone target was penetrated close to prognosis with minor gas shows but the sands encountered were water bearing. There were also good indications of gas within a 25m sandstone in the Carboniferous interval but following log evaluation these were not considered worth testing and the well was plugged and abandoned. Egdon has subsequently relinquished blocks 42/27 and 42/26 and written off £1,277,973 in relation to these licences during the period.

France

In France Egdon drilled its first operated well, Grenade-3, in the St Laurent Permit of SW France. The target "Vraconian" limestone interval was penetrated 21m up-dip of the Grenade-1 oil discovery well. However, coring and logging indicated that the target interval had no effective porosity and was therefore not hydrocarbon bearing. The well defined the eastern limit of reservoir development within the structure. Recent evaluation work has indicated that potential exists to the west and south around the Grenade-1 well and also northwards towards the Maurrin-1 well. Grenade-3 has been suspended to retain the option to target other areas of the Grenade prospect via a sidetrack. Other options include re-entering and sidetracking the Grenade-1 discovery well.

Elsewhere within the St Laurent Permit further technical work during the period has enabled the definition of the Audignon Prospect, a multi-trillion cubic feet of gas prospect. It is intended to look for a farm-in partner during 2008-2009 to progress this deep, high potential prospect. The St Laurent licence is in the process of being extended into its third term for a period of a further five years.

Licensing Activity

As part of the normal exploration cycle a number of licences have come to the end of their term and have been relinquished during the period. Promote licence P1296 covering block 15/7 in the outer Moray Firth was surrendered during the period. In the Weald Basin all of PEDL110 and most of PEDL069 have also been relinquished. The part of PEDL069 which contains the potential extension of the Avington oil accumulation has been retained. Licence PEDL094 was also relinquished during September 2008.

Your Board recognises the need to replenish and widen its opportunity base as non-prospective licences and areas within its existing portfolio are relinquished. The period has seen significant success in this area with ten additional licences added through the acquisition of four licences from Stag Energy Limited in October 2007 and the award of six licences in the 13th Landward licensing round with an effective date of 1 July 2008.

These new operated licence awards significantly strengthen and broaden Egdon's onshore UK asset and opportunity position. The new licences add net Egdon best-estimate prospective resources of over 50 million barrels of oil. The new licences have a broad mix of opportunities, from an early oil production project at Kirklington in PEDL203, through identified prospects up-dip of known oil such as at Broughton in PEDL182 and Brigg and Glanford in PEDL241, to high potential plays such as those seen in the Sherwood Sandstone of the Wessex Basin in PEDL237 and new play concepts as seen in PEDL201 in the East Midlands.

Additionally Egdon is awaiting the formal award of two new licences in France. Egdon will be operator of both permits with a 40% interest. The first of these Pontenx, had a competitive bid during the 90 day competition period which closed on 19 March 2008. Agreement was reached with the French authorities to split the application area between the two competing parties and the proposal has now been approved by the French General Council of Mines. The Pontenx Permit is located on the southern margins of the Parentis Basin, an oil productive region on the west coast of France, to the south of Bordeaux. The Pontenx Permit will cover an area of 313 square kilometres against the original application area of 387 square kilometres.

The Gex Permit, which covers an area of 932 square kilometres, is located in eastern France adjacent to the Swiss border close to Geneva. The permit is located in the Jura-Molasse Basin. The 90 day competition period has lapsed with no competing applications. Both permits are expected to be formally awarded later in 2008 or early in 2009, with detailed technical evaluation to commence in 2009.

Egdon has identified France as a target for potential growth and these two new licences represent excellent progress with our business development strategy. These highly prospective licences contain a good mix of field rejuvenation, appraisal and exploration opportunities which complement our existing French licence. Egdon will also continue to review additional opportunities in France and we expect to make further applications as we look to strengthen our acreage position and opportunity base in the country.

At 31 July 2008 the Group held interests in 26 oil and gas licences onshore UK and France.

Outlook

The 2008/09 financial year will see a continuing focus on increasing production from the Group's oil and gas assets. Ongoing production is expected from Keddington and production or production testing is anticipated to commence at Avington, Waddock Cross, Kirkleatham, Kirklington and Eakring-Dukes Wood during the period. The Company anticipates drilling activity at Eakring-Dukes Wood, Keddington, Kirklington, Holmwood and Winfrith during the period and during the year decisions will be taken on further drilling at both Burton Agnes and Grenade. In anticipation of increasing sales revenues we have sufficient cash resources for our present plans.

The Company will continue to evaluate the exploration and development potential of its licences and will look to strengthen its asset position through active management of its existing portfolio, new licence applications and review of potential acquisition opportunities.

Your Board recognises the challenges of developing and growing the oil and gas business to a more material size following the successful demerger of the Gas Storage business, and continues to review various options to achieve this.

We look forward to a further year of progress and thank our shareholders for their continued support.

Philip Stephens
Chairman

EGDON RESOURCES PLC
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 JULY 2008

	Notes	**2008** £	*2007* £
CONTINUING OPERATIONS			
Revenue	4	**1,121,624**	41,397
Cost of sales – exploration costs written off and pre-licence costs		**(1,441,260)**	(35,106)
Cost of sales – other		**(1,103,236)**	(53,396)
Total cost of sales		**(2,544,496)**	(88,502)
Gross loss		**(1,422,872)**	(47,105)
Administrative expenses		**(1,189,836)**	(635,943)
Other operating income		**91,295**	59,123
Operating loss		**(2,521,413)**	(623,925)
Financial revenue		**161,476**	259,366
Finance costs		**(16,325)**	-
Loss on ordinary activities before taxation		**(2,376,262)**	(364,559)
Taxation on loss on ordinary activities	6	**-**	-
Loss for the period from continuing operations after taxation		**(2,376,262)**	(364,559)
Loss from discontinued operations	5	**(798,000)**	(208,515)
Loss for the period		**(3,174,262)**	(573,074)
Loss per ordinary share	3		
Basic and diluted loss per share	4	**(4.70)p**	(0.90)p
Basic loss per share (continuing operations)		**(3.52)p**	(0.57)p
Basic loss per share (discontinued operations)		**(1.18)p**	(0.33)p

EGDON RESOURCES PLC
CONSOLIDATED BALANCE SHEET
AS AT 31 JULY 2008

	Notes	**2008**	*2007*
		£	£
Non-current Assets			
Intangible assets	4	**5,471,666**	14,623,727
Property, plant and equipment		**775,616**	147,304
Total non-current assets		**6,247,282**	14,771,031
Current assets			
Inventory		**-**	24,169
Trade and other receivables		**394,312**	640,625
Available for sale financial assets		**50,000**	-
Cash and cash equivalents		**2,167,058**	7,899,676
Total current assets		**2,611,370**	8,564,470
Current liabilities			
Trade and other payables		**(318,546)**	(2,015,593)
Net current assets		**2,292,824**	6,548,877
Total assets less current liabilities		**8,540,106**	21,319,908
Non-current liabilities			
Provisions		**(249,545)**	(246,591)
Net assets		**8,290,561**	21,073,317
Shareholders' funds			
Share capital		**6,861,434**	654,657
Share premium		**65,000**	-
Merger reserve		**-**	20,387,373
Retained earnings		**1,364,127**	31,287
		8,290,561	21,073,317

EGDON RESOURCES PLC
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2008

	2008	2007
	£	£
Loss from operations	**(3,174,262)**	(537,074)
Adjustments for:		
Depreciation and impairment of fixed assets	**1,537,531**	16,692
(Increase)/decrease in trade and other receivables	**(109,437)**	396,778
Decrease/(increase) in inventory	**24,169**	(24,169)
(Decrease) in trade payables	**(660,258)**	(445,836)
Movement in provisions	**2,954**	(164,929)
Financial revenue	**(290,476)**	(402,559)
Bonus paid by way of issue of shares	**146,250**	-
Net cash flow used in operating activities	**(2,523,529)**	(1,197,097)
Investing activities		
Interest received	**290,476**	402,559
Payments for exploration and evaluation assets	**(2,055,487)**	-
Payments for other intangible fixed assets	**(2,556,248)**	(4,882,321)
Purchase of property, plant and equipment	**(62,351)**	(161,493)
Cash held by subsidiary on demerger	**(3,650,735)**	-
Net cash flow from capital expenditure and financial investment	**(8,034,345)**	(4,641,255)
Financing activities		
Issue of shares	**5,000,000**	12,325,001
Costs associated with issue of shares	**(174,744)**	(480,000)
Net cash flow from financing	**4,825,256**	11,845,001
Net (decrease)/increase in cash and cash equivalents	**(5,732,618)**	6,006,649
Cash and cash equivalents as at 1 August 2007	**7,899,676**	1,893,027
Cash and cash equivalents as at 31 July 2008	**2,167,058**	7,899,676

EGDON RESOURCES PLC
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
FOR THE YEAR ENDED 31 JULY 2008

	Share capital £	Merger reserve £	Share premium £	Retained earnings £	Total equity £
Balance at 1 August 2006	571,499	8,625,530	-	604,361	9,801,390
Loss for the period and total recognised income and expense for the period	-	-	-	(573,074)	(573,074)
Issue of ordinary shares	83,158	11,761,843	-	-	11,845,001
Balance at 31 July 2007	654,657	20,387,373	-	31,287	21,073,317
Loss for the period and total recognised income and expense for the period	-	-	-	(3,174,262)	(3,174,262)
Issue of ordinary shares (September 2007)	23,256	4,802,000	-	-	4,825,256
Effect of share cancellation	(677,913)	677,913	-	-	-
Issue of shares following scheme of arrangement	6,780,184	(6,780,184)	-	-	-
Transfer of reserve resulting from Court Order	-	(19,087,102)	-	19,087,102	-
Distribution of Portland Group	-	-	-	(14,580,000)	(14,580,000)
Issue of ordinary shares (May 2008)	81,250	-	65,000	-	146,250
Balance at 31 July 2008	6,861,434	-	65,000	1,364,127	8,290,561

1. Basis of preparation

The financial information set out in this announcement, which does not constitute the statutory accounts of the Group, is extracted from the consolidated audited statutory accounts for the year ended 31 July 2008, which were approved by the Board on 21 October 2008. The auditors have reported on these accounts in accordance with section 235 of the Companies Act 1985. Their report was unqualified and did not contain a statement under section 237(2) or 237(3) of the Companies Act 1985. The statutory accounts for 2008 will be delivered to the Registrar of Companies after the Annual General Meeting. As detailed below, merger accounting has been used and the comparative figures represent those of Egdon Resources U.K. Limited (previously Egdon Resources Plc). The financial statements of Egdon Resources U.K. Limited for the year ended 31 July 2007 were audited and have been filed at Companies House. The audit report on those financial statements was unqualified and did not contain a statement under section 237(2) or 237(3) of the Companies Act 1985.

For all periods up to and including the year ended 31 July 2007, the Group prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). The financial statements are the first the Group is required to prepare in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the International Accounting Standards Board. Accordingly the Group has prepared financial statements which comply with IFRS applicable for the periods beginning 1 August 2007.

In preparing the financial statements, the Group has started from an opening balance sheet at 1 August 2006, the Group's date of transition to IFRS, and made those changes in accounting policies and other restatements required by IFRS1 for the first time adoption of IFRS. The IFRS adjustment resulted in a reduction in net assets of £76,828 as at 1 August 2006, £111,934 as at 1 August 2007 and an increase in the reported loss of £35,106 for the year ended 31 July 2007.

The IFRS standards and IFRIC interpretations adopted in the financial statements are those issued by the International Accounting Standards Board ("IASB") up to 31 July 2008 that are mandatory for the year ended 31 July 2008.

The financial statements are based on the following accounting policies of the Group.

The future accounting standards that may affect the Group in 2009 and subsequently are as follows:

IFRS8 "Operating Segments" will replace **IAS14 "Segment Reporting"** and requires that entities adopt a management approach to reporting financial performance. We do not anticipate that this standard will have any material impact on the Group's financial statements.

IFRS3 (revised) "Business Combinations"- This standard includes some significant changes to IFRS3 in respect of business combinations with all payments made to purchase a business recorded at fair value at acquisition date. This standard will affect any acquisitions the Group makes from 1 January 2010.

IAS 1 (revised) "Presentation of Financial Statements"- This standard prescribes the basis for presentation of financial statements and aims to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.

Basis of consolidation

The Group financial statements incorporate the financial statements of Egdon Resources plc (the Company) and entities controlled by the Company prepared to 31 July each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Business combinations and goodwill

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

With effect from 16 January 2008 a new parent company Egdon Resources plc ("the Company") was introduced to the Group.

The introduction of a new holding company does not result in the addition of any new businesses to the Group, and as such it falls outside of the scope of IFRS 3. Therefore, it has been accounted for using merger accounting principles. As a result, although the Group reconstruction did not become effective until January 2008, the consolidated financial statements of Egdon Resources plc are presented as if Egdon Resources plc and its subsidiaries had always been part of the same Group. Accordingly, the financial information for the current period has been presented, and that for the prior periods restated, as if the subsidiaries had been owned by Egdon Resources plc throughout the current and comparative accounting periods.

Revenue and other operating income

Revenue represents amounts receivable for oil sales, net of VAT and trade discounts, and is recognised on delivery. When oil is sold from a test well, an amount equal to the revenue achieved is credited to cost of sales.

Income charged to other companies net of VAT, in respect of fees for acting as operator is disclosed within other operating income and is recognised on an accruals basis when the services are provided.

Jointly controlled operations and assets

The Group's exploration and development activities are generally conducted as co-licensees in joint operation with other companies. The financial statements reflect the relevant proportions of capital expenditure and operating costs applicable to the Group's interest.

Intangible assets – exploration and evaluation assets

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

E&E costs are not amortised prior to the conclusion of appraisal activities. At completion of appraisal activities if technical feasibility is demonstrated and commercial reserves are discovered, then following development sanction, the carrying value of the relevant E&E asset will be reclassified as a development and production asset, but only after the carrying value of the E&E asset has been assessed for impairment, and where appropriate, its carrying value adjusted. If after completion of appraisal activities in an area, it is not possible to determine technical feasibility or commercial viability, then the costs of such unsuccessful exploration and evaluation are written off to the income statement as a component of cost of sales in the period the relevant events occur. The costs associated with any wells which are abandoned are fully amortised when the abandonment decision is taken.

When oil is sold from a test well, the carrying value of E&E assets is reduced by the gross profit generated from the oil sales.

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 the income statement. 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.

Property, plant and equipment – development and production assets

Development and production ("D&P") assets are accumulated into single field 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.

Costs relating to each single field cost centre are depleted on a unit of production method based on the commercial proven and probable reserves for that cost centre. Development assets are not depreciated until production commences. The amortisation calculation takes account of 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.

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. If necessary, additional depletion is charged through the income statement if the capitalised costs of the CGU exceeds the associated estimated future discounted cash flows of the related commercial oil and gas reserves.

Property, plant and equipment – other than D&P assets

Property, plant and equipment other than D&P assets are stated in the balance sheet 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:

Plant and equipment	20% straight line
Fixtures and fittings	25% straight line
Computer equipment	33% straight line

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be estimated with reasonable certainty. If the effect of the time value of money is material, provisions are discounted using a pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Decommissioning provision and asset

Licensees have an obligation to restore fields to a condition acceptable to the relevant authorities at the end of their commercial lives. Provision is made for such obligations, representing the Group's share of the estimated liability for costs which will be incurred in removing installed facilities (including the abandonment of wells) at the end of commercial production from the field. A provision is established when the related wells are drilled and the facilities installed and is created in the financial statements at the present value of the estimated future costs. A corresponding asset is also created for the amount equal to the provision when it is first made in the financial statements. This asset is subsequently depleted as part of oil and gas assets in accordance with the depreciation and depletion policy applied to such assets. The increase in the net present value of the future cost arising from the unwinding of the discount is included within interest payable and other similar charges.

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 income statement.

Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis.

Inventory

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

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the company and short-term bank deposits with an original maturity of three months or less.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the income statement.

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.

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit and loss, held to maturity investments or loans and receivables. After initial recognition available for sale financial assets are measured at fair value with gains or losses

being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using appropriate valuation techniques.

Taxation

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

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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 substantially enacted by the balance sheet 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, and is accounted for using the balance sheet liability method. 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 balance sheet 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

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 income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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 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 income statement 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 balance sheet.

Judgements and estimates

Amounts included in the financial statements involve the use of judgement and/or estimation. These estimates and judgements are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements, and the key areas are summarised below.

Review of project asset carrying values
The assessment of capitalised project costs for any indications of impairment involves judgement. A formal impairment review is undertaken to determine the expected value of the asset. Where the expected value is less than the capitalised project cost an impairment loss is recognised against the income statement. The key assumptions in the valuation are the net income expected to be generated from the asset which is a function of the expected future commodity sale price (oil, gas or electricity price), expected commodity reserves and production volumes, operating costs and the costs of abandonment.

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.

Going concern
The preparation of the financial statements requires an assessment on the validity of the going concern assumption. The validity of the going concern assumption is dependent on the availability of adequate financial resources to allow the Group to continue in operational existence for the foreseeable future. The Directors have reviewed budget, projected cash flows and other financial options, and based on this review are confident that the Group will have adequate financial resources to continue in operational existence for the foreseeable future. Consequently the Directors consider it appropriate to prepare the financial statements on the going concern basis. Should the going concern basis not be appropriate, adjustments would have to be made to the assets and liabilities in the balance sheet of the Group.

2. Approval by the board

The preliminary announcement was approved by the Board on 21 October 2008.

3. Loss per share

	2008	*2007*
	£	£
Net loss for the financial year	**(3,174,262)**	(573,074)
Net loss for the financial year (continuing operations)	**(2,376,262)**	(364,559)
Net loss for the financial year (discontinued operations)	**(798,000)**	(208,515)
Basic weighted average ordinary shares in issue during the year	**67,582,585**	63,392,512
	Pence	**Pence**
Basic loss per share	**(4.70)**	(0.90)
Basic loss per share (continuing operations)	**(3.52)**	(0.57)
Basic loss per share (discontinued operations)	**(1.18)**	(0.33)

The basic loss per share has been calculated on the loss on ordinary activities after taxation of £3,174,262 divided by the weighted average number of ordinary shares in issue of 67,582,585 during the period. The loss per share for continuing operations excludes the financial results for Portland Gas plc.

In accordance with IAS 33, diluted earnings per share calculations are not presented as assumed conversion of outstanding share options would be anti-dilutive.

4. Segmental information

During the year, the Group's activities were exploration and development of oil and gas reserves, and until demerger of Portland Gas plc on 16 January 2008, the development of gas storage facilities. The Group's primary operations are located in the United Kingdom and France with its head office in the United Kingdom. The turnover of the Group for the period has been derived from the sale of oil which has been extracted from wells during production and testing operations.

	2008	2007
	£	£
Turnover by segment:		
UK oil sales	**1,121,624**	41,397
France oil sales	**-**	-
Total oil sales	**1,121,624**	41,397
Gas storage (discontinued operations)	**-**	-
	1,121,624	41,397
Loss on ordinary activities by segment:		
UK oil and gas exploration	**(2,468,515)**	(622,720)
France oil and gas exploration	**(52,898)**	-
Loss from oil and gas exploration / continuing activities	**(2,521,413)**	(622,720)
UK - Gas storage (discontinued operations)	**(927,000)**	(351,708)
(Loss) for the year	**(3,448,413)**	(974,428)
Financial revenue	**290,476**	402,559
Financial costs	**(16,325)**	-
(Loss) for the year after interest and tax	**(3,174,262)**	(573,074)
Assets by segment:		
UK oil and gas exploration	**5,509,768**	6,337,199
France oil and gas exploration	**1,131,826**	249,487
Total oil and gas exploration	**6,641,594**	6,586,686
Gas storage (discontinued operations)	**-**	8,958,142
Liabilities by segment:		
UK oil and gas exploration	**(493,317)**	(847,725)
France oil and gas exploration	**(74,774)**	(81,718)
Total oil and gas exploration	**(568,091)**	(929,443)
Gas storage (discontinued operations)	**-**	(1,441,298)
Net assets excluding interest bearing assets and liabilities	**6,073,503**	13,174,087
Interest bearing assets UK oil and gas exploration	**2,202,924**	4,249,580
Interest bearing assets France oil and gas exploration	**11,403**	212,955
Interest bearing assets gas storage	**-**	3,436,695
Interest bearing assets – unallocated corporate assets	**2,731**	-
Net assets including interest bearing assets and liabilities	**8,290,561**	21,073,317
Cash Expenditure on segmental assets:		
Oil and gas exploration	**2,581,478**	1,325,187
Gas storage	**2,234,384**	3,753,733

5. Discontinued Operations

The consolidated income statement includes the figures below in relation to discontinued operations. Discontinued operations relate to gas storage development activity undertaken by Egdon's Portland Gas subsidiaries prior to effecting the demerger of the gas storage business on 16 January 2008.

	2008	2007
	£	£
Administrative expenses	**(927,000)**	(351,708)
Investment revenues	**129,000**	143,193
Tax charge	**-**	-
Loss for the period	**(798,000)**	(208,515)

Included within the cash flow are the following amounts in relation to discontinued operations:

Interest received	**129,000**	143,193
Payments to acquire intangible assets	**(2,175,794)**	(3,749,000)
Purchase of equipment	**(58,590)**	(5,000)
	(2,105,384)	(3,611,000)

6. Income Tax

The Group has trading losses of £13,673,772 (2007: £10,998,297 restated) which may reduce future tax charges. Future tax charges may also be reduced by capital allowances on cumulative capital expenditure, supplementary allowances on ring-fenced exploration expenditure and the extent to which any profits are generated by ring fenced activities, which attract a higher rate of tax.

The Group has an unrecognised deferred taxation asset of £3,540,748 (2007: £2,830,815) at year end.