**19 April 2011** **Embargoed for release at 7.00 am**

# EGDON RESOURCES PLC
**("Egdon" or "the Company")**

## Interim Results for the Six Months Ended 31 January 2011

Egdon Resources plc (AIM:EDR), the UK-based exploration and production company primarily focused on the hydrocarbon-producing basins of onshore UK and Europe, today announces its unaudited interim results for the six months ended 31 January 2011.

## Overview and Highlights

Financial Highlights

- Profit for the period of £4.4 million (H1 2010: £0.15 million)
- Exceptional profit on asset disposal of £4.3 million (H1 2010: £0.4 million)
- Operating profit of £0.1 million (H1 2010: operating loss of £0.2 million)
- Oil Revenues during the period up 87% to £0.9 million (H1 2010: £0.5 million)
- Earnings per share for the period of 3.37p (H1 2010: 0.20p)
- Net current assets as at 31 January 2011 of £5.2 million (H1 2010: £1.3 million)
- Cash at bank of £5.3 million as at 31 January 2011 (H1 2010: £1.5 million)

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Operational Highlights

- Production during the period up 56% to 17,671 barrels of oil (H1 2010: 11,283 barrels) from the Keddington, Avington and Kirklington oil fields
- Oil Discovery made at Markwells Wood-1 to be tested during 2011
- Drilled two CBM wells to retain PEDL139 and PEDL140
- Portfolio of 30 Licences in UK and France as at 31 January 2011 (31 January 2010: 24)

Corporate Highlights

- Completion of acquisition of EnCore (E&P) Limited for consideration of £100,000 in cash
- Completion of farm-out of PEDL139 and PEDL140 to achieve a carry through interest in the drilling of a shale-gas test well
- Completion of sale of Egdon Resources (New Ventures) Limited to eCORP for gross cash consideration of £4.5 million
- Acquisition of PEDL180 and PEDL181 from Valhalla Oil and Gas Limited (completed post-period end)

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

"We are pleased to report an uplift in profit for the period driven largely by the sale of some of our French early stage exploration assets. We anticipate a strong performance in the coming period with a significant increase in revenues as production from Kirkleatham, Ceres and Keddington all come on stream."

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## Chairman's Statement

I am pleased on behalf of the Board to be able to report further good progress, albeit slower than hoped, in the six months ended 31 January 2011. We continued to be frustrated by delays in the start-up of production at Kirkleatham and Ceres during the period, but with Kirkleatham first gas imminent and Ceres works nearing completion, we can anticipate growth in production and revenues in the coming period.

Our cash position is strong, mainly as a result of the receipt of £4.5 million during the period from the disposal of some of our French assets. Our available cash and the anticipated increase in revenues have enabled a change to our existing strategy and we are looking to finance an active exploration programme, targeting the higher potential prospects within our portfolio to drive future growth.

### Financial

Revenue from oil production during the period was up 87% to £0.9 million (2010: £0.5 million) on oil production of 17,671 barrels, a 56% increase over the same period in 2010 (2010: 11,283 barrels). The Company recorded a significantly increased profit after tax of £4.4 million for the period (2010: £0.15 million), which includes a profit on disposal of £4.3 million related to the sale of some of our French assets. Earnings per share for the period were 3.37p (2010: 0.20p).

Net current assets as at 31 January 2011 were £5.2 million (31 January 2010: £1.3 million) including cash of £5.3 million. Equity at 31 January 2011 was £20.5 million (31 January 2010: £9.1 million). In line with last year the Directors do not recommend the payment of a dividend.

### Corporate Activity

As highlighted above, we completed during the period the sale of some of our French assets for £4.5 million in cash to eCORP Oil and Gas UK Limited ("eCORP"). The interests involved were early-stage exploration projects and the sale of them significantly enhances our balance sheet. Importantly we have the opportunity to participate in any drilling success which eCORP may have with these licences by way of back-in options.

We have also completed the acquisition of EnCore (E&P) Limited (now renamed Egdon (E&P) Limited) which holds two Permits in France (Mairy and Nimes). The consideration for this was £100,000 in cash.

### Portfolio Management

As at 31 January 2011 Egdon held interests in 30 licences in the UK and France (2010: 24 Licences). During the period PEDLs 138, 142, 144 and 154 were relinquished as they did not meet our technical and commercial thresholds. A write-down of £100,000 was made in relation to these assets during the period.

In January we announced the acquisition of two additional East Midlands licence interests from Valhalla Oil and Gas UK Limited. This transaction was conditional on regulatory approval and was completed during March 2011. The consideration was the grant of a net profit interest of 10% of the acquired interest. As at the date of this report, Egdon now holds interests in 32 licenses.

### Production

At the time of our last results we had anticipated first gas from Kirkleatham and Ceres around the turn of the year. However, Kirkleatham and our other production sites were badly affected by the severe winter weather during December 2010. Civil, mechanical and electrical construction was completed at Kirkleatham during March and first gas is expected imminently.

The prolonged maintenance shut-down of the BP Cleeton Platform and associated infrastructure has meant that the Ceres Gas Field (in which Egdon holds a 10% interest) has been shut-in since June 2010. These works are nearing completion and the repairs to the Eris umbilical are well advanced. As such we now expect gas flows to resume within a few weeks and will provide an update once this is achieved.

In spite of these delays Egdon has still achieved a 56% increase in production from the same period last year.

Production from Keddington-3z, constrained by gas flow rates has been around 120-130 barrels of oil per day ("bopd") when on production. The field is currently shut-in for the drilling of a further horizontal sidetrack, Keddington-4. This well should result in an increase in field production and enable us to make the investment decision on the gas to electricity project for Keddington over the coming months.

Avington has continued to produce in line with expectations during the period and the Avington-2z well has been restored to production. We also expect to commence production from the combined Dukes Wood/ Eakring/ Kirklington production unit in the third quarter of 2011 conditional on receipt of planning and other consents for Dukes Wood.

With both Kirkleatham and Ceres on production and with the resumption of production at Keddington we hope to exceed our long held oil and gas production target of 500 boepd net to Egdon in the near future.

**Exploration**

During the period Egdon participated in the Markwells Wood-1 oil discovery drilled in West Sussex and we look forward to the outcome of an extended well test later in the year, which will determine commerciality.

The best estimate of our prospective resources as at 31 January 2011 in UK and France is 290 million barrels of oil (“mmbo”) equivalent which represents significant upside potential for Egdon. We plan an active exploration and appraisal drilling programme through 2011, into 2012 and beyond to evaluate these prospects. Further details of our UK and French drilling plans are set out in the Operational Review which follows this statement.

France remains a key focus for Egdon and we plan to reprocess and possibly acquire new seismic data on our very large Audignon gas prospect and in our Pontenx Permit later on in 2011 with a view to drilling on both prospects in 2012.

Drilling is planned on the Mairy Permit during 2011 in the Paris Basin oil-shale play. However, we note the recently announced drilling moratorium in France in relation to non-conventional hydrocarbon (shale-gas and oil-shale) drilling which may impact the timing of this well.

Egdon will continue to look at the optimum strategy for maximising value from the non-conventional opportunities within our assets (shale-gas, oil-shale and coal bed methane).

**Outlook**

Our strategy is to build a strong revenue stream from the production of oil and gas in order to finance the drilling of exploration, appraisal and production wells and thereby enhance the value of our assets.

We feel that we have achieved much in the period under review and production should increase significantly once Kirkleatham and Ceres are on production. Our cash position is strong and forecast cash flow is positive. Our shareholders have been patient in the light of the further delays which have occurred in our production forecasts and we thank them for their forbearance.

Keddington has been a success for Egdon and we await the results of further drilling on the field over the coming weeks. We look forward to further drilling at Havant, Nooks Farm and in the Mairy Permit, to the results of well testing at Markwells Wood and Waddock Cross, to the acquisition of new seismic data in the UK and France and to the outcome of planning applications at a number of our other projects which may lead to further drilling later in 2011 and in 2012.

We will continue to look to build shareholder value by strengthening the quality of our asset portfolio through technical evaluation and acquisition of new licences, either directly via licence applications or through targeted acquisitions such as the recently announced Valhalla transaction.

The changes to oil and gas taxation announced in the recent budget are not expected to have a significant impact on Egdon as our fields and projects continue to benefit from the Field Allowance for small fields.

On behalf of the Board I would like to thank our hard working and dedicated staff for their endeavour during the period and with their help we expect to be able to report continued progress in the coming period.

Philip Stephens
Chairman
18 April 2011

## Managing Director's Operational Review

Egdon has a focus on onshore operations in Europe, currently having two geographical operating segments, the UK and France.

**UK**

At the end of the period Egdon held interests in 25 licences UK onshore and one licence offshore in the Southern North Sea. During the period we have relinquished our interests in PEDLs 138, 142,144 and 154; subsequent to the period end, we have acquired interests in PEDLs180 and 181.

**Producing Assets**

<u>Keddington (PEDL005(Remainder) – 75% operated interest)</u>

The Keddington oil field in Lincolnshire produces oil and gas from two sandstone intervals of Carboniferous age at a depth of 2,200 metres. The Keddington-3 and subsequent Keddington-3z sidetracks encountered 235 metres of productive Unit 1 and Unit 2 reservoir intervals. The well has been free-flowing oil and gas since June 2010 with total production net to Egdon during the period of 13,559 barrels of oil. We plan to use the produced gas for on-site electricity generation which will enable unconstrained oil production and also add an additional revenue stream during 2011. The currently estimated proven and probable reserves of 0.30 mmbo are expected to be upgraded on completion of ongoing evaluation work.

The Keddington-4 well is being drilled as a horizontal sidetrack from the Keddington-1z donor well with a kick-off depth of 2,080 metres and will be drilled to a total depth of around 2,750 metres, including a horizontal section of up to 500 metres. Operations started on 4 April 2011 with drilling commencing on 9 April and expected to be completed during April.

Additional potential is recognised with gas discovered in the underlying Namurian sandstone and in the contiguous Louth Prospect. These will be further evaluated during 2011.

<u>Avington (PEDL070 – 36.67% non-operated interest)</u>

The Avington oil field in Hampshire produces oil from the Great Oolite limestone reservoir of Middle Jurassic age. The field has produced a total of 4,112 barrels (net Egdon) from the Avington-3z and 2z wells during the period. Net Egdon proven and probable reserves are estimated at 0.12 mmbo.

<u>Kirkleatham (PEDL068 – 40% operated interest)</u>

The Kirkleatham gas field, near Redcar, discovered in 2006 by Egdon, is a stratigraphically trapped gas accumulation in a Permian age limestone reservoir at a depth of around 800 metres. First gas from Kirkleatham is imminent and Net Egdon peak production of 2 to 2.4 mmcfg/d (330 to 400 boepd) is anticipated. Net Egdon best estimate contingent resources are estimated at 2.03 bcf.

Further drilling will be considered in 2011 if the production data indicates the presence of more extensive gas reserves and the option exists to convert the Kirkleatham field into a gas storage facility once the gas reserves are depleted.

<u>Ceres (P.1241 - 10% non-operated interest)</u>

The Ceres Gas Field initially came on stream in April 2010, with horizontal well 47/9c-11X producing at the predicted rates of 20 mmcfg/d, from the Lower Permian Leman Sandstone. Prolonged maintenance of the BP Cleeton Platform and associated infrastructure has meant that the Ceres Gas Field has been shut-in since June 2010. These works are now nearing completion as are the repairs to the damaged Eris umbilical. As such it is anticipated that gas production from Ceres will resume within a few weeks.

Expected production is 1.2 mmcfg/d (200 boepd) net to Egdon. Net Egdon proven and probable gas reserves are estimated at 3.7 bcf.

Eakring-Dukes Wood-Kirklington (PEDLs 118, 203 – 65% operated interest)

Egdon plans to produce the Kirklington-3z and Dukes Wood-1 oil wells as a combined production unit. Both wells have high water cuts and cost-effective water disposal is the key to improving commerciality. The Dukes Wood-1 well will be completed as a dual oil producer and water disposal well to achieve this. We await planning and other consents for the development of Dukes Wood-1 with production expected later in 2011. This facility will act as a hub for future incremental developments in the area.

**Appraisal**

Egdon has a number of appraisal and development projects within its UK portfolio capable of adding further production and revenues in the near-term.

Markwells Wood (PEDL125 – 10% non-operated interest)

The Markwells Wood-1 well, drilled during December 2010, was announced as an oil discovery on 6 January 2011. The well penetrated a gross hydrocarbon bearing interval of 84 metres of which 58 metres was initially assessed as net reservoir. Evaluation of the core and other data is being finalised to enable the design of an extended well test which is anticipated later in 2011 and which will determine the field's commerciality.

Waddock Cross (PL090 – 45% operated interest)

The Waddock Cross oil field, located in Dorset, has two wells which are completed for production from the Jurassic Bridport Sandstone formation at a depth of 660 metres. A six month test is planned to commence by June 2011. A successful outcome to the testing could lead to full field development in 2012. Net Egdon most-likely reserves are 0.6 mmbo.

Westerdale/Ralph Cross (PEDL068 – 40% operated interest)

The Westerdale/Ralph Cross gas accumulation, in North Yorkshire, has been tested by two wells, Ralph Cross-1 (1996) and Westerdale-1 (2006), which demonstrated the presence of gas in a fractured Permian limestone reservoir. Egdon's recently completed evaluation of the structure has defined a significant potential gas volume which is capable of being commercially developed via off-site electricity generation. A planning application will be developed for a further appraisal well on the structure which, subject to planning and rig availability, could be drilled late in 2011. Net Egdon best estimate prospective resources are 6.2 bcf.

Nooks Farm (PEDL141 – 46% operated interest)

Planning permission has been granted for the re-entry and testing of the Nooks Farm-1A gas discovery well. The Nooks Farm gas discovery was made by Shell in 1982, encountering gas bearing sandstones of Carboniferous age at a depth of 430 metres relative to sea level. The Nooks Farm-1A well, drilled in 1982, achieved a maximum flow rate of over 1 mmcfg/d on test. Potential gross gas volumes are in the range of 0.88 to 3.83 bcf of gas. It is proposed to re-enter the Nooks Farm-1A well later in 2011 and produce gas for on-site electricity generation.

**Exploration**

Egdon has a significant portfolio of exploration prospects in the UK and will progress evaluation of all of these. However, the following UK exploration projects have been high-graded for the coming year due to their risk profile and/or potential impact.

Broughton-Wressle Prospect (PEDL182 and PEDL180 – 50% interest)

Egdon have recently completed the acquisition of a 50% interest in PEDL180 from Valhalla Oil and Gas UK Limited. PEDL180 contains the Wressle prospect which extends into Egdon operated PEDL182 where the Broughton oil discovery is located. This oil prone trend of structures is bounded to the north-west by the Crosby Warren producing oil field and the Brigg oil discovery to the south-east. We are planning a 38 sq. km 3D seismic survey to fully evaluate this highly prospective trend which is expected to be acquired in October 2011.

To the south of this trend in PEDL241 is the North Kelsey Prospect, where we are finalising our technical view on this 3D defined structure with a view to drilling in 2012 as part of a multi-well exploration/appraisal drilling programme in our East Midlands licences to include some or all of Broughton/Wressle, Biscathorpe, North Somercotes, Burton on the Wolds and Louth.

Biscathorpe (PEDL253 – 60% operated interest)

Oil was discovered but not tested in thin Carboniferous sands in a 1987 well on the Biscathorpe Prospect, in Lincolnshire. It is expected that the sands will thicken off the crest of the structure as observed elsewhere in the basin. This large prospect is defined by 3D seismic data and could contain net Egdon high estimate prospective resources of up to 25 mmbo if the sands pinch-out to the west. A suitable drilling site is being sought and a planning application should be submitted later in 2011.

Holmwood (PEDL143 – 38.4% non-operated)

We expect a decision in relation to planning for the Holmwood-1 exploration well during the next quarter. The Holmwood Prospect, located in Surrey, has net Egdon best estimate prospective resources of 16.6 bcf and is located between known gas and oil accumulations. The licence has been extended to October 2012.

Sherwood Sandstone Oil Play (PL090 & PEDL237 – 45% operated interest)

Significant exploration potential has been identified in the Sherwood Sandstone play within Egdon's Dorset licences. A planning application is ready for submission for the Winfrith Prospect which has net Egdon best estimate prospective resource potential of 1.64 mmbo and would de-risk larger prospects to the west with mapped net Egdon best estimate prospective resource potential of 31.5 mmbo. We will make a decision on further 3D seismic acquisition over the Winfrith Prospect during 2011 prior to submission of the planning application.

Havant-1 (PEDL256 – Egdon 7.5% non-operated interest)

Drilling is expected during 2011 on the Havant Prospect, a Great Oolite exploration prospect to the south of the Horndean oil field.

Other

We are expecting to submit a planning application for North Somercotes-1, which will test a 3D defined gas prospect to the north of the Saltfleetby gas field with net Egdon best–estimate prospective resources of 7.5 bcf.

In PEDL201, in Leicestershire, a 19 km 2D seismic programme is due to be acquired in June over the Burton on the Wolds Prospect (Net Egdon prospective resources 0.75 mmbo).

**France**

France remains a key focus for Egdon and this period has seen further developments with the Company's French assets with completion of both the sale of the Company's interests in Gex and Navacelles to eCORP and the acquisition of EnCore (E&P) Limited. At 31 January 2011 Egdon held interests in four French Permits and we also await government approval for the award of the Donzacq Permit.

Audignon Prospect (St Laurent – 33.423% operated)

The St. Laurent Permit contains the high impact Audignon Prospect (Net Egdon best estimate prospective resources of 896 bcf), on which pre-stack depth migration and possible further seismic acquisition is planned for 2011 with a view to drilling in 2012. A farm-in partner will continue to be sought for the drilling phase for this "company making" size prospect. We also anticipate award of the adjacent Donzacq Permit during 2011 which contains a possible western extension of Audignon and also the adjacent Bastennes-Gaujaq Prospect.

Other activity in France will concentrate on developing drillable prospects in the Pontenx and Nimes Permits through the reprocessing, acquisition and evaluation of new seismic data. Further work will also be undertaken during the coming year on the Grenade and Mimizan Nord heavy oil fields to determine our future strategy for these assets. A well is also planned on the Mairy Permit (see below).

**Non-Conventional Resources**

There is significant industry interest in non-conventional oil and gas resources in Europe. Egdon will look to add value in this area by leveraging its extensive onshore acreage position.

In the UK we have concluded a farm-out of two East Midlands licences (PEDL139 & 140) to achieve a 13.5% carried interest through the drilling and testing of a deep shale-gas exploration well in the Gainsborough Trough where trillions of cubic feet of gas ("TCF") resources may be present. Cuadrilla Resources Ltd. have recently drilled a test of this play in North-East England and we await the results of this with interest. Egdon also holds interests in a number of East Midlands licences which contain significant coal bed methane potential.

In France, the sale to eCORP was largely driven by the non-conventional potential of the Gex and Navacelles Permits and in addition to the cash payment, Egdon retains access to up-side through back-in options. Also in France the Mairy Permit is thought to contain oil-shale potential similar to the highly productive Bakken Shale of the US Williston Basin. A well is planned to test this play during 2011. However, there is currently a drilling moratorium and ongoing public consultation in France in relation to non-conventional hydrocarbon drilling and fraccing which may impact the timing of this well.

We will continue to review our strategy for non-conventional resources and look for the best way to maximise shareholder value from these developing plays which could include further farm-outs, sales or alternative funding models.

**2011 Work Programme**

We will continue to progress the evaluation of all our projects during the coming year although financial and manpower resources will be focused on those assets that best fit our strategic objectives in terms of risk and potential value.

We are currently drilling the Keddington-4 sidetrack and expect production from this well in early May. We have drilling planned at Havant-1, Nooks Farm-1 and on the Mairy Permit in France during 2011 with additional possible wells at Westerdale-1 and Holmwood-1 conditional upon planning. We will be progressing further planning applications for Biscathorpe-2, North Somercotes-1 and elsewhere in the UK during the coming period.

As described above we are planning new 3D and 2D seismic acquisition on a number of our UK and French projects during 2011, which should lead to a firming of our drilling plans for 2012. Specifically we are planning for a multi-well drilling programme in the East Midlands during 2012 to evaluate a number of identified prospects.

A licensing round is expected for onshore UK during 2011 and Egdon expects to participate in this. We will also look to identify additional opportunities to strengthen our opportunity base in the UK, France and elsewhere during the coming period.

The increased level of drilling and seismic activity combined with the expected growth in UK production means that the coming year should be transformational for Egdon.

Mark Abbott
Managing Director
18 April 2011

**EGDON RESOURCES PLC**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*For the six months ended 31 January 2011*

| | **Unaudited Six months ended 31-Jan-11 £'000** | Unaudited Six months ended 31-Jan-10 £'000 | Audited Year ended 31-Jul-10 £'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | **932** | 498 | 1,252 |
| Cost of sales - exploration costs written off and pre-licence costs | **(143)** | - | (65) |
| Cost of sales – other | **(431)** | (387) | (819) |
| **Total cost of sales** | **(574)** | (387) | (884) |
| **Gross profit** | **358** | 111 | 368 |
| Administrative expenses | **(367)** | (400) | (668) |
| Other operating income | **108** | 69 | 175 |
| **Operating profit/(loss)** | **99** | (220) | (125) |
| Gain on sale of property, plant and equipment | **3** | 382 | 389 |
| Gain on sale of subsidiary – note 2 | **4,338** | - | - |
| Finance income | **23** | 1 | 1 |
| Finance costs | **(58)** | (14) | (29) |
| **Profit before taxation** | **4,405** | 149 | 236 |
| Taxation | - | - | (1) |
| **Profit for the period** | **4,405** | 149 | 235 |
| **Other comprehensive income for the period** | - | - | - |
| **Total comprehensive income for the period attributable to equity holders of the parent** | **4,405** | 149 | 235 |
| | | | |
| **Earnings per share – note 3** | | | |
| Basic profit per share | **3.37p** | 0.20p | 0.29p |
| Diluted profit per share | **3.36p** | 0.20p | 0.29p |

**EGDON RESOURCES PLC**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*As at 31 January 2011*

| | Notes | **Unaudited 31-Jan-11 £'000** | Unaudited 31-Jan -10 £'000 | Audited 31-Jul-10 £'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | | **8,907** | 5,859 | 7,033 |
| Property, plant and equipment | | **8,340** | 2,613 | 8,422 |
| **Total non-current assets** | | **17,247** | 8,472 | 15,455 |
| **Current assets** | | | | |
| Trade and other receivables | | **957** | 933 | 1,039 |
| Available for sale financial assets | | **50** | 50 | 50 |
| Cash and cash equivalents | 4 | **5,297** | 1,458 | 2,030 |
| | | **6,304** | 2,441 | 3,119 |
| Assets held for sale | | **-** | - | 21 |
| **Total current assets** | | **6,304** | 2,441 | 3,140 |
| **Current liabilities** | | | | |
| Trade and other payables | | **(1,132)** | (1,155) | (1,640) |
| Liabilities directly associated with assets classified as held for sale | | **-** | - | (8) |
| | | **(1,132)** | (1,155) | (1,648) |
| **Net current assets** | | **5,172** | 1,286 | 1,492 |
| **Total assets less current liabilities** | | **22,419** | 9,758 | 16,947 |
| **Non-current liabilities** | | | | |
| Long-term borrowings | | **(1,024)** | - | - |
| Provisions | | **(932)** | (657) | (916) |
| **Net assets** | | **20,463** | 9,101 | 16,031 |
| **Equity** | | | | |
| Share capital | | **13,076** | 7,548 | 13,068 |
| Share premium | | **1,367** | 65 | 1,362 |
| Share based payment reserve | | **95** | 58 | 85 |
| Retained earnings | | **5,925** | 1,430 | 1,516 |
| | | **20,463** | 9,101 | 16,031 |

**EGDON RESOURCES PLC**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
*For the six months ended 31 January 2011*

| | **Unaudited Six months ended 31-Jan-11 £'000** | Unaudited Six months ended 31-Jan-10 £'000 | Audited Year ended 31-Jul-10 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | **4,405** | 149 | 236 |
| Adjustments for: | | | |
| Depreciation and impairment of fixed assets | **153** | 117 | 265 |
| Loss on relinquishment of intangible fixed assets | **100** | - | - |
| Gain on disposal of property, plant and equipment | **(3)** | (382) | (389) |
| Gain on disposal of subsidiary | **(4,338)** | - | - |
| (Increase)/decrease in trade and other receivables | **(18)** | 38 | (399) |
| Decrease in inventory | **-** | 12 | 12 |
| (Decrease)/increase in trade and other payables | **(198)** | 70 | 358 |
| Movement in provisions | **(5)** | (1) | (4) |
| Gross profit on oil well testing | - | - | 33 |
| Finance costs | **58** | 14 | 29 |
| Finance income | **(23)** | (1) | (1) |
| Share based remuneration charge | **14** | 28 | 54 |
| Net cash flow from operating activities | **145** | 44 | 194 |
| | | | |
| **Investing activities** | | | |
| Financial income | **23** | 1 | 1 |
| Purchase of exploration and evaluation assets | **(2,033)** | (119) | (1,133) |
| Purchase of property, plant and equipment | **(249)** | (227) | (898) |
| Proceeds from sale of intangible assets | **-** | 147 | 147 |
| Proceeds from sale of property, plant and equipment | **3** | 305 | 503 |
| Proceeds from sale of subsidiary | **4,342** | - | - |
| Net cash flow from capital expenditure and financial investment | **2,086** | 107 | (1,380) |
| | | | |
| **Financing activities** | | | |
| Issue of shares | **13** | - | 2,000 |
| Costs associated with issue of shares | **-** | - | (82) |
| Proceeds from borrowings | **1,054** | - | - |
| Repayment of borrowings | **(2)** | - | - |
| Finance costs | **(37)** | - | (1) |
| Net cash flow from financing | **1,028** | - | 1,917 |
| Net increase in cash and cash equivalents | **3,259** | 151 | 731 |
| Cash and cash equivalents at the start of the period | **2,038*** | 1,307 | 1,307 |
| **Cash and cash equivalents at the end of the period** | **5,297** | 1,458 | 2,038* |

Significant non-cash transactions for the year ended 31 July 2010 comprised the issue of equity share capital as consideration for the acquisition of tangible and intangible fixed assets from EnCore Oil plc, and for decommissioning and reinstatement provisions.

* includes cash and cash equivalents of £8,000 classified as held for sale.

**EGDON RESOURCES PLC**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
*For the six months ended 31 January 2011*

| | Share capital | Share premium | Share based payment reserve | Retained earnings | Equity |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 August 2009 | 7,548 | 65 | 30 | 1,281 | 8,924 |
| Total comprehensive income for the period | - | - | - | 149 | 149 |
| Share Option charge | - | - | 28 | - | 28 |
| **Balance at 31 January 2010** | **7,548** | **65** | **58** | **1,430** | **9,101** |
| Total comprehensive income for the period | - | - | - | 86 | 86 |
| Issue of ordinary shares (April 2010) | 1,600 | 317 | - | - | 1,917 |
| Issue of ordinary shares (July 2010) | 3,920 | 980 | - | - | 4,900 |
| Share option charge | - | - | 27 | - | 27 |
| **Balance as at 31 July 2010** | **13,068** | **1,362** | **85** | **1,516** | **16,031** |
| Total comprehensive income for the period | **-** | **-** | **-** | **4,405** | **4,405** |
| Issue of ordinary shares (December 2010) | **8** | **5** | **-** | **-** | **13** |
| Transfer of share option charge on exercise | **-** | **-** | **(4)** | **4** | **-** |
| Share option charge | **-** | **-** | **14** | **-** | **14** |
| **Balance as at 31 January 2011** | **13,076** | **1,367** | **95** | **5,925** | **20,463** |

## 1. General information

Egdon Resources plc ('the Company' and ultimate parent of the Group) is a public limited company listed on the AIM market of the London Stock Exchange plc (AIM) and incorporated in England. The registered office is The Wheat House, 98 High Street, Odiham, Hampshire, RG29 1LP.

This interim report was authorised for issue by the directors on the 18 April 2011.

**Basis of preparation**

The condensed financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards as adopted for use in the European Union. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 31 July 2011.

**Non-statutory accounts**

The financial information for the period ended 31 January 2011 set out in this interim report does not constitute the Group's statutory accounts for that period. The statutory accounts for the year ended 31 July 2010 have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis.

The financial information for the 6 months ended 31 January 2011 and 31 January 2010 is unaudited.

**Accounting policies**

The condensed financial statements have been prepared under the historical cost convention, except for the inclusion of financial instruments at fair value.

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in preparation of the Group's financial statements for the year ended 31 July 2010.

The Directors have reviewed the budget, projected cash flows, considered committed expenditure and based on this review are confident that the Group will have adequate financial resources to continue in existence for the foreseeable future. Consequently the Directors consider it appropriate to prepare the financial statements on the going concern basis.

## 2. Corporate transactions

<u>Sale of Egdon Resources (New Ventures) Limited</u>

On 5 October 2010 the sale of Egdon Resources (New Ventures) Ltd ("ERNV"), the holder of certain of Egdon's permit interests in France, to eCORP Oil and Gas UK Ltd ("eCORP") was completed.

The consideration was £4.5 million in cash and the grant of options in relation to the permits sold. The assets of ERNV at completion were a 60% interest in the Navacelles Permit, a 40% interest in the Gex Permit and a 40% interest in the Gex Sud Permit Application (the "Permit Interests"). The Options are in relation to a 6% interest in the Gex Permit and the Gex Sud Permit Application and a 9% interest in the Navacelles Permit. These Options are exercisable up to the later of two years from the 23 June 2010 (or in the case of the Gex Sud Permit Application two years from any licence award) or 60 days following plugging and abandonment or the completion of initial testing of the first well on each permit, subject to an end-stop date of 23 June 2015. On exercise of any Back-In Option Egdon will pay to ERNV its pro-rata share of all costs incurred by ERNV on that permit and pay to eCORP the appropriate proportion of the original acquisition price.

This transaction resulted in the gain on sale of subsidiary of £4.338 million

<u>Acquisition of EnCore (E&P) Limited (now renamed Egdon (E&P) Limited)</u>

This company, which holds two Permits in France (Mairy and Nimes), was acquired in the period for a cash consideration of £100,000. This is accounted for as an asset acquisition rather than a business combination.

## 3. Earnings per share

| | **Unaudited Six months ended 31-Jan-11** | Unaudited Six months ended 31-Jan-10 | Audited Year ended 31-Jul-10 |
|---|---|---|---|
| | **p** | p | p |
| Basic | **3.37** | 0.20 | 0.29 |
| Diluted | **3.36** | 0.20 | 0.29 |

The basic earnings per share has been calculated on the profit on ordinary activities after taxation of £4.405m (January 2010: profit on ordinary activities after taxation of £0.149m; July 2010: profit on ordinary activities after taxation of £0.235m) divided by the weighted average number of ordinary shares in issue of 130,675,774 (January 2010: 75,475,770, July 2010: 80,882,893).

The diluted earnings per share has been calculated using a weighted average number of ordinary shares of 131,062,264. In accordance with IAS 33, diluted earnings per share calculations for prior periods remain unchanged from basic earnings per share as the assumed conversion of outstanding share options would be anti-dilutive.

## 4. Cash and Cash Equivalents

| | **Unaudited 31 -Jan-11 £'000** | Unaudited 31-Jan-10 £'000 | Audited 31-Jul-10 £'000 |
|---|---|---|---|
| Cash at bank at floating interest rates | **3,527** | 970 | 371 |
| Restricted cash at bank | **296** | 295 | 296 |
| Other cash at bank | **1,474** | 193 | 1,363 |
| | **5,297** | 1,458 | 2,030 |

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

## 5. Post balance sheet events

Planning permission was granted by Staffordshire County Council for the re-entry and testing of the Nooks Farm-1A well at a planning committee meeting held on 3 February 2011. Egdon holds a 46% interest in the project which is located in Staffordshire licence PEDL141.

Egdon completed the acquisition of a 50% interest in PEDL180 and PEDL181 from Valhalla Oil and Gas UK Limited on 14 March 2011. The consideration for the acquisition was the grant to Valhalla of a Net Profit Interest ("NPI") of 10% of the assigned 50% interest in each of the licences.

Drilling operations have commenced at the Keddington-4 side-track well in PEDL005(Remainder). The British Drilling and Freezing Limited BDF28 drilling unit began mobilising to the site on 1 April and operations began on 4 April. The side-track commenced at 0700 hours on 9 April from a kick-off depth of 2080 metres. The well is intended to be drilled directionally to a total measured depth of around 2750 metres. Drilling and completion operations are expected to be completed by the end of April. Production from the adjacent Keddington-3z well has been suspended for safety reasons during the drilling operations and will resume once the rig has been demobilised.

## 6. Dividend

The Directors do not recommend payment of a dividend.

## 7. Publication of the Interim Report

This interim report is available on the Company's website www.egdon-resources.com.

**Company Background**

Egdon Resources plc (LSE: EDR) is an established UK-based exploration and production company primarily focused on onshore exploration and production in the hydrocarbon-producing basins of the UK and Europe.

Egdon currently holds interests in thirty two licences in the UK and France and has an active programme of exploration, appraisal and development within its balanced portfolio of oil and gas assets. Egdon is an approved operator in both the UK and France.

Egdon was formed in 1997 and listed on AIM in December 2004.

www.egdon-resources.com

In accordance with the AIM Rules - Note for Mining and Oil and Gas Companies, the information contained in this announcement has been reviewed and signed off by the Managing Director of Egdon Resources plc Mark Abbott, a Geoscientist with over 25 years' experience.