**5 November 2012** **Embargoed for 7.00am**

# EGDON RESOURCES PLC

("Egdon" or "the Group" or "the Company")

## Final Results for the Year Ended 31 July 2012

Egdon Resources plc (AIM:EDR), the UK-based exploration and production company primarily focused on the hydrocarbon-producing basins of onshore UK and France, today announces its audited results for the year ended 31 July 2012.

### Overview and Highlights

### Operational Highlights

- Production of 45,656 barrels of oil equivalent (2011: 46,919 barrels of oil equivalent)
- Portfolio of 29 licences in UK and France (2011: 29)
- 3D seismic programme completed over Broughton and Wressle prospects in PEDL180/182
- Completion of extended well test at Waddock Cross indicates potential for commercial development
- Continued progress made with lands and planning for UK drilling programme with planning consent received for Westerdale-2 exploration well during period
- Production commenced post year end at Dukes Wood and Kirklington
- Significant prospective shale gas resource identified in PEDL139/140

### Financial Highlights

- Revenues from oil and gas sales during the year up 9.9% to £2.61 million (31 July 2011: £2.38 million)
- Loss for the year £2.89 million (31 July 2011: profit of £4.08 million)
- Impairment charge recognised of £3.15 million (31 July 2011: £0.23 million)
- Negative goodwill of £0.41 million recognised on the acquisition of Dorset Exploration Limited
- Basic loss per share of 2.21p (31 July 2011: earnings of 3.12p)
- Equity as at 31 July 2012 of £17.42 million (31 July 2011: £20.17 million)
- Net current assets as at 31 July 2012 of £2.17 million (31 July 2011: £3.28 million)

### Corporate Highlights

- Completed the sale of a 10% interest in the Avington oil field for total cash consideration of £400,000
- Completed the acquisition of Dorset Exploration Limited
- Sold a 15% interest in PEDL118 and PEDL203 for £200,000 in cash and a future well carry of £150,000
- Completed the farm-out of a 12.5% interest in PEDL201

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

"In what has been a challenging year for Egdon, with production issues resulting in lower than anticipated revenues, we have redefined our strategy to focus on fewer assets in three core areas. We will pursue both conventional and non-conventional assets and in particular we intend to explore the shale-gas potential of our Northern England licences*".*

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## Chairman's Statement

The year ended 31 July 2012 has been challenging for Egdon. We have experienced issues with production from both the Kirkleatham and Ceres gas fields and have been frustrated by regulatory and planning delays in a number of our assets. The reduction in expected production has resulted in a shortfall in budgeted cash flow and consequently less available cash to fund our planned exploration programme.

In light of this and the current macroeconomic background the Board has undertaken a review of the business' strategy and near-term priorities. Following this review I can advise that we intend to focus on fewer assets in three core areas and will look to monetise non-core assets and farm-out certain opportunities to fund growth. The core areas are broadly defined as "Northern England", "Southern England" and "France". In Northern England we will pursue both conventional and non-conventional assets as there is strong synergy and often overlap between these plays. Whilst we recognise the sensitivities in relation to shale-gas and particularly the fracking process, we believe that the regulatory framework in the UK will be clarified in the near future to allow these plays to be evaluated in a safe and responsible manner.

Despite the current production issues we remain confident in the quality of our existing portfolio of assets and their ability to deliver shareholder value and we are particularly encouraged by the shale-gas potential of our Gainsborough Trough acreage which has been independently assessed by RPS Energy ("RPS").

### Financial

The Group recorded a loss after tax of £2.89 million for the period (2011: profit of £4.08 million) after impairments of £3.15 million for the Kirkleatham (£1.60 million), Ceres (£0.75 million) and Markwells Wood assets (£0.80 million). Negative goodwill of £0.41 million has been recognised on the acquisition of Dorset Exploration Limited. The 2011 figures included a profit on disposal of £4.34 million related to the sale of some of our French assets and exploration write-downs of £0.89 million.

Revenue from oil and gas production during the year was up 9.9% to £2.61 million (2011: £2.38 million) on slightly lower production of 45,656 barrels of oil equivalent (2011: 46,919 barrels).

As at 31 July 2012, the Group had net assets of £17.42 million (2011: £20.17 million). The Group ended the year with £3.33 million of cash and cash equivalents (2011: £3.69 million) and net current assets of £2.17 million (2011: £3.28 million).

Loss per share for the period was 2.21p (2011: earnings of 3.12p). In line with last year, the Directors do not recommend the payment of a dividend.

### Board Changes

In December 2011, John Rix retired as a non-executive director and Jerry Field was appointed as Exploration Director. In March 2012, we announced changes to the Board as a result of the acquisition of EnCore Oil plc by Premier Oil plc ("Premier"). Andrew Lodge, Exploration Director of Premier, was appointed as Premier's nominated non-executive director and at the same time Alan Booth resigned. We are grateful to John and Alan for their contributions to the Company and we are pleased to welcome Jerry and Andrew to the Board.

**Corporate Activity and Portfolio Management**

As at 31 July 2012, Egdon held interests in 29 licences in the UK and France and we await the award of three further licences. We have continued to rationalise and develop our licence holdings as part of our wider strategy and during the year have relinquished PEDL125 and been awarded P.1916.

During the period we completed the sales of a 10% interest in the Avington oil field for £400,000, and a 15% interest in the Dukes Wood and Kirklington oil fields for a consideration of £200,000 in cash and a future well contribution of £150,000.

In July 2012 Egdon completed the acquisition of Dorset Exploration Limited ("Dorset") for a consideration satisfied by the issue of 1,223,242 Ordinary shares of Egdon. Dorset holds a 10% interest in each of PL090 and PEDL237 and this acquisition increases Egdon's net interest in these licences to 55%, adding 11 million barrels ("mmbls") of Best Estimate Prospective Oil Resources to Egdon and increasing our interest in the Waddock Cross oil field.

We continue to engage in discussions regarding the delayed award of a 26th UK Offshore Round licence which contains a near-shore gas discovery, and remain hopeful of an award during 2013.

**Production**

Production during the period averaged 125 barrels of oil equivalent per day ("boepd") (2011: 128 boepd) from Keddington, Avington, Kirkleatham and Ceres. This is below our expectation as a result of previously reported issues with production at the Ceres and Kirkleatham gas fields and some delays in Dukes Wood production start-up.

The Keddington oil field continues to produce oil and associated gas from two wells. We are in the process of sanctioning a gas-to-electricity project for the field which will enable up to 1.35 MW of electricity to be generated and exported and anticipate first revenues from this scheme by late Summer 2013.

The Avington oil field has continued on production during the period at levels slightly above expectation.

The Ceres gas field has contributed only minor amounts of production during the year as the field has continued to prove challenging. At the time of publishing this report the field remains offline but we expect to be able to report the recommencement of production in the near future. Interpretation of pressure data from a period of flow in June 2012 indicates that the Ceres production well is draining a smaller gas volume than predicted. We expect the proven producing reserves for Ceres to be reduced from the current Net Egdon volume of 3.7 billion cubic feet ("bcf") of gas to around 1.3 bcf, to be independently assessed for Egdon in the near future. In light of the reduced reserves expectation and continued production delays we have made an impairment of £750,000 to the Ceres carrying value.

The Kirkleatham gas field remains shut-in due to high water production. We expect to make a decision on the drilling of a side-track by the end of 2012. As a result of the production issues and their impact on the reserves for the field we have made a total impairment of £1.6 million in these results.

The Dukes Wood and Kirklington oil fields were placed on production in September 2012 and are now on sustained production of 20-25 barrels of oil per day ("bopd").

**Exploration and Appraisal**

The best estimate of our contingent and prospective resources in the UK and France is over 380 million barrels of oil equivalent ("mmboe") (2011: 248 mmboe) which highlights the significant potential for growth from our portfolio. Exploration is a key value driver for Egdon and we will continue with an active exploration and appraisal programme to evaluate the best of these opportunities.

We advised shareholders in April of our intention to develop our UK non-conventional exploration business. We commissioned RPS to undertake a Competent Person's Report ("CPR") on the shale-gas potential of East Midlands licences PEDL139 and PEDL140 where Egdon holds a 13.5% carried interest. We will publish a summary of this in the near future but I can advise that the evaluation has estimated total gas in place of 1.74 trillion cubic feet ("tcf") net to Egdon's interest. We have also identified further significant shale-gas potential elsewhere in our UK portfolio. Although regulatory uncertainty exists in relation to the development of shale-gas in the UK it has the potential to realise significant benefits to the UK energy market and we are hopeful that a clear regulatory framework will soon be put in place.

We have continued to make progress, albeit slower than anticipated, in securing sites and submitting planning applications for a programme of exploration drilling in the East Midlands, which is expected to commence late in the first quarter of 2013. We now plan an initial programme to drill exploration wells at Broughton or Wressle, Burton on the Wolds and a possible side-track well at Keddington. A side-track of Kirkleatham-4, if approved could also form part of this initial programme.

Drilling at Biscathorpe, North Kelsey and Louth will form part of a second programme, which we plan to commence late in 2013 or early 2014, partially contingent on farming out. Elsewhere in Northern England, we have received consent for the Westerdale-2 well, which will appraise the Ralph Cross-1 gas discovery and could form part of this latter drilling programme.

Drilling operations have commenced at Nooks Farm in Staffordshire and are expected to continue into the early part of 2013. Egdon's costs are carried through this programme.

In Southern England we will focus our exploration activity on the Wessex Basin where we will seek to introduce a partner to fund a 3D seismic survey over the main Sherwood Sandstone prospective areas currently identified with a view to firming up a drilling location for 2014. A planning application will be submitted shortly with a view to a development of the Waddock Cross oil field by mid-2013.

The Markwells Wood-1 well (PEDL126 - Egdon 10%) performed below expectations during the extended well test and the well is currently suspended pending a review of possible options for the oil discovery. In light of our expectation for the asset we have recognised an impairment of £800,000 at this time.

We were disappointed by the recent dismissal of the Holmwood-1 exploration well planning appeal. The joint venture group has decided to contest this decision through the High Court and we will advise the outcome in due course.

In France our focus will be on the high potential Triassic play in SW France where we are looking to extend the current licence term to allow for the acquisition of a new 2D seismic programme and the drilling of an exploration well. Elsewhere in France we have submitted an application to renew the Pontenx Permit where we plan to acquire a 3D seismic survey over the Pontenx-3 oil discovery in early 2014. An exploration well is now planned to commence on the Mairy Permit by January 2013.

Further details of our UK and French exploration plans are set out in the Operational Review below.

**Outlook**

Our objective is to grow the asset value of the Company primarily through onshore exploration and production, with revenue from oil and gas production being reinvested to facilitate growth in the underlying asset value of the core business areas.

The Board has undertaken a full review of the business in light of the production issues experienced, reduced short-term revenue expectations and identified key opportunities within the portfolio. The Board has also amended the Company's priorities to meet our stated strategy, by focussing on fewer assets in three core business areas and by looking to monetise non-core assets.

We are encouraged by the independent assessment of the shale-gas potential in our interests in the Gainsborough Trough which has the potential to add considerable shareholder value and will look to grow our exposure to these developing plays.

Given the continued issues with Ceres and Kirkleatham, we expect full year production for the coming financial year to be in line with 2011–12 at around 125 boepd, although sustained production at Ceres and a contribution from Kirkleatham could increase this substantially. The Company has cash available to progress a number of current priorities and will soon embark on a more active marketing programme to divest certain non-core assets and introduce new partners via farm-out on a number of other projects.

We expect planning decisions for a number of drilling applications from early 2013 onwards and are planning a programme of up to four wells in the first half of 2013.

We have a small team of dedicated staff and on behalf of the Board I would like to thank them for their continuing efforts on behalf of shareholders during a challenging year.

We thank our shareholders for their patience in light of the recent set-backs and remain confident of the quality of our existing portfolio of assets and our strategy in delivering shareholder value.

Philip Stephens
Chairman

## Managing Director's Operational Review

As highlighted in the Chairman's Statement the last year has been overshadowed by issues with the Kirkleatham and Ceres Gas Fields that have impacted on both production and revenue. We have also made slower than expected progress with planning which has resulted in a delay to the start of the planned drilling programme. Shareholders are provided with a review of developments during the period, an update on our assets, and a summary of our planned work programme for the coming period, with the key priorities and growth drivers highlighted.

We have made a strategic decision to focus our business on fewer key assets in three core areas; "Northern England", which includes the East Midlands and our Cleveland Basin and offshore gas assets; "Southern England", which is dominated by Avington production and exploration in the Wessex Basin; and "France", which will see a concentration on our high-impact Aquitaine Basin exploration opportunities. The next year will see us embark on a more active marketing programme to divest non-core assets and introduce new partners via farm-out and we are already making progress in this regard.

We have made progress in developing our position in the exploration and evaluation of non-conventional hydrocarbon plays in the UK. I am particularly encouraged by the potential shale-gas resource identified in our Gainsborough Trough acreage which has been independently assessed by RPS. Egdon have also commissioned RPS to undertake a reserves audit of our key assets which we expect to report before the end of 2012.

As at 31 July 2012 Egdon's reported Proven and Probable oil reserves are estimated as 0.42 mmbls (2011: 1.01 mmbls) with the reduction largely due to a downgrade of the estimates for the initial phase of development of Waddock Cross. Our Proven and Probable gas reserves have reduced to 2.9 bcf (2011: 6.71 bcf) due to expected reductions in reserves for Kirkleatham and Ceres as detailed below.

### UK

The UK is Egdon's primary business segment with 25 licences, 23 of which are onshore and 13 of which are operated. We have two broadly defined focus areas: Northern England and Southern England.

### Northern England

Northern England comprises our main focus area and spans the East Midlands Petroleum Province and the gas prospective areas of the Cleveland Basin and Southern Gas Basin.

In the East Midlands Petroleum Province we have production at Keddington, Dukes Wood and Kirklington, numerous identified drill-ready prospects and a high potential shale-gas exploration play.

The Keddington Oil Field (PEDL005R - Egdon 75%) currently produces oil and associated gas from two wells (Keddington-4 and Keddington-3Z) at rates of 70–80 bopd. We are in the process of sanctioning the development of a 1.35 MW gas-to-electricity generation project for the site which we expect to be completed during the second half of 2013. We are developing plans for additional drilling on the field during 2013 and beyond to increase production and total field recovery. We currently carry 0.2 mmbls of Proven and Probable oil Reserves along with around 0.5 bcf of gas for Keddington.

The low risk Louth Prospect, located immediately adjacent to Keddington and defined on 3D seismic data, is mapped as containing 1.00 mmbls Net Egdon Best Estimate Prospective Resources. Negotiations for a suitable drilling site are ongoing with a view to drilling late in 2013 or early 2014.

The Dukes Wood and Kirklington oil fields (PEDL118 and PEDL203 - Egdon 50%) were put on production during September 2012 and following some commissioning issues are now on sustained production at a rate of around 20–25 bopd. We are evaluating new drilling locations in areas of the Dukes Wood/Eakring field not previously produced (e.g. Eakring North Lead) and locations where producible oil remains with a view to agreeing a long-term growth plan for the field. During the year we sold a 15% interest in these projects to Nautical Petroleum AG for a cash consideration of £200,000 and the future payment of £150,000 towards Egdon's share of costs of the next well to be drilled on the licences.

The next exploration wells to be drilled in the area will be at Burton on the Wolds and one of the Wressle or Broughton prospects in the first half of 2013.

The Wressle, Broughton and North Kelsey prospects are on trend with the oil bearing Crosby Warren field and the Brigg discovery. A 3D seismic survey was completed during February 2012 over the Broughton and Wressle prospects and target locations are currently being finalised. The terms for site leases are agreed and planning applications are about to be submitted with a view to drilling in the second quarter of 2013. The Broughton Prospect (PEDL182 - Egdon 33.33%) is located immediately up-dip of the 1984 Broughton-B1 well, which tested oil at rates of up to 40 bopd. The prospect is mapped as having Net Egdon Best Estimate Prospective Resources of 1.00 mmbls. The nearby Wressle Prospect (PEDL180 - Egdon 33.33%) has Net Egdon Best Estimate Prospective Resources of 1.05 mmbls.

Terms for a drilling site have been agreed and a planning application will be submitted in the final months of 2012 for the North Kelsey Prospect (PEDL241 - Egdon 50%) which is mapped on 3D seismic to hold Net Egdon Best Estimate Prospective Resources of 3.25 mmbls. Subject to farm-out this well will be drilled in late 2013.

The Burton on the Wolds Prospect (PEDL201 - Egdon 37.5%) is located on the southern margin of the Widmerpool Gulf in Leicestershire and combines a lower risk reservoir target offsetting nearby production with a higher risk play at present untested in the basin. Egdon has farmed-out a 12.5% interest in the well on a promoted basis. We have a site secured and are finalising a planning application for the well which will target Net Egdon Best Estimate Prospective Resources of 1.35 mmbls and is planned to be drilled in the second quarter of 2013.

The Biscathorpe Prospect (PEDL253- Egdon 60%) is located approximately 15 kilometres to the west of the Keddington oil field. Oil was discovered but not tested in a thin sand unit in the Biscathorpe-1 well drilled by BP in 1987. The sand unit is predicted to thicken off the crest of the structure and there is also potential for stratigraphic trapping which could increase the expected prospective reserves from the Net Egdon Best Estimate case of 8.47 mmbls. A site has been secured and a planning application is due to be submitted shortly. It is intended to farm-out the Biscathorpe Prospect prior to drilling later in 2013 or early 2014.

The oil and gas fields of the East Midlands are sourced from rocks of the same age and with similar characteristics to those currently being explored as potential shale-gas plays in the North West of England and also have similar characteristics to commercial shale-gas source rocks in the USA. Egdon holds a carried interest of 13.5% in a predicted "sweet spot" for potential shale-gas in Gainsborough Trough licences PEDL139 and 140. We are encouraged by the recently completed RPS CPR of these blocks, which has reported gas initially in place ("GIIP") of 1.74 tcf net to Egdon. Elsewhere Egdon has identified additional net GIIP of 2.49 tcf. The regulation concerning shale-gas exploration in the UK is currently under review by the government so we do not now expect any exploration well to be drilled before 2014.

In addition to shale-gas there are a number of other gas assets within Egdon's Northern England area.

In offshore licence P.1241 which covers block 47/9c (Egdon 10%), the Ceres Gas Field has continued to prove challenging, having contributed only minor amounts of production during the period. The field remains off-line although we expect production to recommence shortly. Recent analysis of pressure data from a period of production in June 2012 has indicated that the current producing well appears to be draining a smaller gas volume than the pre-production expectation. It appears that the well is only accessing a proportion of the mapped volumetric GIIP. We are currently working with the operator to investigate what might be causing this. This is expected to result in a reduction in the Net Egdon Proven and Probable reserves from 3.70 bcf to 1.30 bcf.

In Cleveland Basin licence PEDL068 (Egdon 40%) the Kirkleatham Gas Field has been shut-in since February 2012 and the joint venture have concluded that the only way to resume production is to drill a side-track well to an up-dip area of the accumulation. A decision on the drilling of this well is expected by the end of 2012. The Net Egdon Proven and Probable reserves to be accessed by a side-track well are evaluated at 0.22 bcf.

In July 2012 we were granted planning consent for the drilling and testing of a well to appraise the Ralph Cross/Westerdale gas discovery (PEDL068 - Egdon 40%) where we map revised Net Egdon Best Estimate Contingent Resources of 3.36 bcf. The well is designed to evaluate the same reservoir from which gas was tested at commercial rates in 1966. The earliest opportunity for the well to be drilled is late 2013 due to planning constraints.

Egdon is in continuing discussions regarding the delayed award of a licence in the 26th UK Offshore Licensing Round (Egdon 100%) for an area which contains a potentially significant near-shore gas discovery and we remain hopeful of an award during the first half of 2013.

Works have begun at Nooks Farm (PEDL141 - Egdon 46%) to seal off the gas leaks found in the existing wells and to re-enter and drill a horizontal production well on this 1982 gas discovery. Egdon is fully carried for these works with drilling operations expected to be completed early in 2013 and electricity generation anticipated to commence later in 2013.

The North Somercotes Prospect (PEDL005R - Egdon 75%), located to the north of the Saltfleetby Gas Field, is mapped from 3D seismic data as containing Net Egdon Best Estimate Prospective Resources of 7.26 bcf. We have landowner agreement for a well site and are in a position to submit a planning application in the near future.

We will look to leverage value from our East Midlands Coal Bed Methane (“CBM”) potential (Estimated Mean Contingent and Prospective Resources of 42 bcf) over the coming period as CBM does not constitute part of Egdon’s future strategy.

**Southern England**

In our Southern England core area, the Avington oil field (PEDL070 - Egdon 26.67%) has continued on production during the period at levels slightly above expectation. The potential for additional development wells to increase oil production and reserves from the field remains under review. With a single additional side-track well the Net Egdon Proven, Probable and Possible reserves for the field are estimated at 43,000 bbls.

In addition to production at Avington our primary focus in Southern England is the Wessex Basin where we have recently increased our interest to 55% through the acquisition of Dorset Exploration Limited, and see the potential to develop the Waddock Cross oil field and to advance plans for drilling in the high potential Sherwood Sandstone play.

The extended well test at Waddock Cross (PL090 - Egdon 55%) has indicated the potential for a commercial development and a planning application is about to be submitted for the phased development of the field. The initial phase will involve production from one well at up to 50 bopd during 2013 followed by additional drilling in 2014 and will access estimated Net Egdon Proven and Probable reserves of 170,000 bbls out of mapped oil in place of over 30 mmbls.

Egdon has mapped a number of leads and prospects at the level of the Sherwood Sandstone, the primary reservoir at the nearby Wytch Farm oilfield. We plan to delineate these by reprocessing existing vintage 2D seismic data and acquiring new 3D seismic with a view to promoting at least one into a drillable prospect during 2013. The Combined Net Egdon Best Estimate Prospective Resources for the Sherwood Sandstone Prospects is 33 mmbls. We will look to farm-out prior to drilling due to the relatively high risk of the play. We have also identified and delineated potential shallow oil play at Langton Herring (PEDL237 - Egdon 55%) which was encountered in the 1959 Langton Herring North-1 well but may not have been adequately tested. (Net Egdon Best Estimate Prospective Resources 1.74 mmbls)

With the award of 26th Round licence P.1916 off the Isle of Wight we have now fully licensed the “M” Prospect (Egdon 7.5%), a multi target prospect with Net Egdon Best Estimate Prospective Resources of 0.34 mmbls.

During the period we relinquished PEDL125 (Egdon 10%) as we were unable to secure a site from which to drill the Hedge End Prospect.

**France**

Egdon holds interests in four French licences, operating three, is awaiting the award of a fifth (Donzacq), and has back-in options on two permits plus a pending application (Gex Sud). We see significant potential to add shareholder value in the country particularly from our conventional oil and gas prospects within the Aquitaine Basin.

Our focus for 2013 is on higher impact exploration within the St Laurent Permit (Egdon 33.423%) where we have mapped the Audignon Prospect, a large Triassic sub-salt gas prospect analogous to the Sherwood Sandstone play of Southern England, with Net Egdon Best Estimate Prospective Resources of 896 bcf. A 400km 2D seismic programme is planned for 2013 and a farm-in partner will be sought for this and the drilling of this "company maker" sized prospect. We will look to farm-out or sell our interest in the Grenade Heavy Oil discovery during the coming period where we have Net Egdon Contingent Resources of 2.2 mmbls. We also continue to await the award of the adjacent Donzacq Permit (Egdon 33.423%) which contains a possible western extension of Audignon and also the Bastennes-Gaujacq Prospect (Net Egdon Best Estimate Prospective Resources of *c.*220 bcf).

In the northern part of the Aquitaine Basin we expect to renew the Pontenx Permit into its second term and we are developing plans to acquire a 3D seismic programme in early 2014 over the Pontenx Prospect (Egdon 40%) where we map Net Egdon Prospective Resources of 1.00 mmbls in one of multiple reservoir targets.

We expect the spud of a well on the Mairy Permit around year end 2012 to core and evaluate the oil potential of the Liassic interval. We are at an advanced stage in farming-out this licence and expect to have exposure to 18 mmbls of Net Egdon Prospective Resources on completion.

We have recently elected to relinquish the Nimes Permit at the end of its initial term as we did not identify material exploration opportunities within the licence.

**Outlook**

Production during the current financial year is expected to be at a similar level to the period under review at 125 boepd, with sustained production at Ceres and resumption of flows at Kirkleatham capable of increasing this significantly. However, we are taking a prudent view of production and cash flow for the coming period and are embarking on an active marketing programme to farm-out certain prospects and to monetise some projects to fund our activities as we look to focus on fewer higher potential assets.

Exploration remains a key growth driver for the business and whilst delayed, we continue to work towards a significant drilling programme over the coming period. Our revised prioritised programme over the next eighteen months will see Egdon commencing a 3–4 well operated programme in the first half of 2013 targeting Net Egdon reserves potential of 2.5 mmbls with additional drilling later in 2013 contingent upon farm-out and cash flow from production.

We expect our UK shale-gas assets to be an increasing value driver for the business with an expectation of progress in resolving the regulatory uncertainty and the resumption of exploration activity in the UK during the coming period. We are very encouraged by the independent verification of our view of the potential for our Gainsborough Trough acreage and we will look to expand our position in this newly emerging UK play including in the delayed 14th Landward Licensing Round where Egdon expects to be a participant.

I would like to take this opportunity to thank my small team of hard-working professionals at Egdon and our trusted contractors and advisors who assist in the management of our portfolio of assets.

The current period has been challenging, but I look forward to reporting progress in resolving the issues experienced and delivering on our revised strategy for the benefit of shareholders during the coming year.

Mark Abbott
Managing Director

**EGDON RESOURCES PLC**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 JULY 2012**

| | Notes | **2012** £ | 2011 £ |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | | **2,614,332** | 2,379,150 |
| Cost of sales - exploration costs written off, impairments and pre-licence costs | 6 | **(3,240,838)** | (890,699) |
| Cost of sales - other | | **(1,907,772)** | (1,207,502) |
| **Total cost of sales** | | **(5,148,610)** | (2,098,201) |
| **Gross (loss)/profit** | | **(2,534,278)** | 280,949 |
| Administrative expenses | | **(763,352)** | (687,181) |
| Other operating income | | **126,943** | 225,553 |
| Exceptional item – negative goodwill arising on acquisition | 7 | **405,652** | - |
| Exceptional item – profit on disposal of subsidiary | | **-** | 4,338,290 |
| Exceptional item – loss on disposal of property, plant and equipment | | **-** | (648) |
| | | **(2,765,035)** | 4,156,963 |
| Finance income | | **8,134** | 41,505 |
| Finance costs | | **(134,245)** | (121,858) |
| **(Loss)/profit before taxation** | | **(2,891,146)** | 4,076,610 |
| Taxation | 2 | **-** | - |
| **(Loss)/profit for the period** | | **(2,891,146)** | 4,076,610 |
| **Other comprehensive income for the period** | | **-** | - |
| **Total comprehensive income for the period attributable to equity holders of the parent** | | **(2,891,146)** | 4,076,610 |
| **Basic (loss)/earnings per share** | 3 | **(2.21)p** | 3.12p |
| **Diluted (loss)/earnings per share** | | **(2.21)p** | 3.10p |

**EGDON RESOURCES PLC**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 31 JULY 2012**

| | Notes | 2012 £ | 2011 £ |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | | **8,281,379** | 7,104,670 |
| Property, plant and equipment | | **7,920,105** | 10,721,342 |
| **Total non-current assets** | | **16,201,484** | 17,826,012 |
| **Current assets** | | | |
| Inventory | | **32,627** | 9,796 |
| Trade and other receivables | | **860,406** | 2,258,276 |
| Available for sale financial assets | | **50,000** | 50,000 |
| Cash and cash equivalents | | **3,331,312** | 3,691,175 |
| **Total current assets** | | **4,274,345** | 6,009,247 |
| **Current liabilities** | | | |
| Trade and other payables | | **(2,109,295)** | (2,725,717) |
| **Net current assets** | | **2,165,050** | 3,283,530 |
| **Total assets less current liabilities** | | **18,366,534** | 21,109,542 |
| **Non-current liabilities** | | | |
| Provisions | 5 | **(945,601)** | (940,316) |
| **Net assets** | | **17,420,933** | 20,169,226 |

| | | | |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 4 | **13,219,233** | 13,086,909 |
| Share premium | | **1,375,428** | 1,374,428 |
| Share based payment reserve | | **113,101** | 107,332 |
| Retained earnings | | **2,713,171** | 5,600,557 |
| | | **17,420,933** | 20,169,226 |

**EGDON RESOURCES PLC**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 JULY 2012**

| | **2012** | 2011 |
|---|---|---|
| | **£** | £ |
| **Cash flows from operating activities** | | |
| (Loss)/profit before tax | **(2,891,146)** | 4,076,610 |
| Adjustments for: | | |
| Depreciation and impairment of fixed assets | **3,616,321** | 728,649 |
| Exploration costs written off | **33,668** | 593,705 |
| (Profit)/loss on disposal of property, plant and equipment | **(21,472)** | 648 |
| Negative goodwill arising on acquisition | **(405,652)** | - |
| Profit on disposal of subsidiary | **-** | (4,338,290) |
| Decrease/(increase) in trade and other receivables | **1,147,870** | (960,114) |
| Increase in inventory | **(22,831)** | (9,796) |
| (Decrease)/increase in trade payables and other payables | **(671,517)** | 10,524 |
| Movement in provisions | **(50,179)** | (11,006) |
| Finance costs | **134,245** | 121,858 |
| Finance income | **(8,134)** | (41,505) |
| Share based remuneration charge | **9,529** | 30,351 |
| **Cash generated from operations** | **870,702** | 201,634 |
| Interest paid | **(103,836)** | (49,592) |
| Taxation paid | **-** | - |
| Net cash flow generated from operating activities | **766,866** | 152,042 |
| **Investing activities** | | |
| Finance income | **8,134** | 41,505 |
| Payments for exploration and evaluation assets | **(1,755,789)** | (3,236,954) |
| Purchase of property, plant and equipment | **(98,653)** | (861,531) |
| Revenues from oil well testing | **123,289** | - |
| Sale of subsidiary net of costs incurred | **-** | 4,484,184 |
| Sale of property, plant and equipment | **512,110** | 5,044 |
| Sale of intangible fixed assets | **100,000** | - |
| Net cash (used in)/generated from capital expenditure and investing activities | **(1,110,909)** | 432,248 |
| **Financing activities** | | |
| Issue of shares | **11,000** | 31,260 |
| Proceeds from short term borrowings | **-** | 1,053,652 |
| Repayments of short term borrowings | **(26,820)** | (15,657) |
| Net cash flow (used in)/generated from financing | **(15,820)** | 1,069,255 |
| Net (decrease)/increase in cash and cash equivalents | **(359,863)** | 1,653,545 |
| Cash and cash equivalents as at 31 July 2011 | **3,691,175** | 2,037,630 |
| **Cash and cash equivalents as at 31 July 2012** | **3,331,312** | 3,691,175 |

There were no significant non-cash transactions in 2011. In 2012 significant non-cash transactions comprised the issue of equity share capital as consideration for the acquisition of Dorset Exploration Limited.

**EGDON RESOURCES PLC**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 JULY 2012**

| **Group** | Share capital | Share premium | Share based payment reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Balance at 1 August 2010 | 13,067,577 | 1,362,500 | 84,907 | 1,516,021 | 16,031, 005 |
| Profit for the year | - | - | - | 4,076,610 | 4,076,610 |
| Total comprehensive income for the year | - | - | - | 4,076,610 | 4,076,610 |
| Transfer of share option charge on exercise | - | - | (7,926) | 7,926 | - |
| Issue of ordinary shares (December 2010) | 8,200 | 5,060 | - | - | 13,260 |
| Issue of ordinary shares (January 2011) | 11,132 | 6,868 | - | - | 18,000 |
| Share option charge | - | - | 30,351 | - | 30,351 |
| **Balance at 31 July 2011** | **13,086,909** | **1,374,428** | **107,332** | **5,600,557** | **20,169,226** |
| Loss for the year | **-** | **-** | **-** | **(2,891,146)** | **(2,891,146)** |
| Total comprehensive income for the year | **-** | **-** | **-** | **(2,891,146)** | **(2,891,146)** |
| Transfer of share option charge on exercise | **-** | **-** | **(3,760)** | **3,760** | **-** |
| Issue of ordinary shares (September 2011) | **10,000** | **1,000** | **-** | **-** | **11,000** |
| Issue of ordinary shares on Dorset Exploration Limited acquisition | **122,324** | **-** | **-** | **-** | **122,324** |
| Share option charge | **-** | **-** | **9,529** | **-** | **9,529** |
| **Balance at 31 July 2012** | **13,219,233** | **1,375,428** | **113,101** | **2,713,171** | **17,420,933** |

### 1. Basis of Accounting and Presentation of Financial Information

The financial information set out in this announcement does not constitute the statutory accounts of the Group for the years ended 31 July 2012 or 31 July 2011. The financial information has been extracted from the statutory accounts of the Group for the years ended 31 July 2012 and 31 July 2011. The auditor, Nexia Smith & Williamson, has reported on these accounts; the audit reports were unqualified and did not contain a statement under either section 498(2) or 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 statutory accounts for the year ended 31 July 2011 have been delivered to the Registrar of Companies; those for the year ended 31 July 2012 were approved by the Board on 2 November 2012 and will be delivered to the Registrar of Companies following the Annual General Meeting.

The Annual Report for the year ended 31 July 2012, including the auditor's report, will be posted to shareholders during the week commencing 12 November 2012 and will be available from the same date both to be downloaded from the Company's website at www.egdon-resources.com and in hard copy from Egdon Resources plc, The Wheat House, 98 High Street, Odiham, Hampshire, RG29 1LP.

In the current financial year, the Group has adopted International Financial Reporting Standard 7 'Financial Instruments (revised 2010) and International Accounting Standard 24 'Related Party Disclosures' (revised 2009). The adoption of these standards did not have any effect on the financial position or performance of the Group.

There was no other change to the Group's accounting policies for the year ended 31 July 2012 as compared to those published in the statutory accounts for the year ended 31 July 2011.

This preliminary announcement was approved by the Board on 2 November 2012.

### 2. Income tax

The major components of income tax expense for the years ended 31 July 2012 and 2011 are:

| | **2012** | 2011 |
|---|---|---|
| | **£** | £ |
| **a) Consolidated statement of comprehensive income** | | |
| Current income tax charge | **-** | - |
| **b) A reconciliation between tax expense and the product of the accounting result and the standard rate of tax in the UK for the years ended 31 July 2012 and 2011 is as follows:** | | |
| Accounting (loss)/profit before tax from continuing operations | **(2,891,146)** | 4,076,610 |
| (Loss)/profit on ordinary activities multiplied by the standard rate of tax of 25.33% (2011: 27.33%) | **(732,327)** | 1,114,138 |
| Expenses not permitted for tax purposes | **55,467** | 18,898 |
| Credit not subject to tax – negative goodwill arising on acquisition | **(102,752)** | - |
| Profit on sale of subsidiary not taxable | **-** | (1,185,654) |
| Movement in unrecognised deferred tax assets | **779,612** | 52,618 |
| Income tax expense reported in the income statement | **-** | - |

**c) Factors that may affect the future tax charge:**
The Group has trading losses of £27,241,855 (2011: £25,522,053) 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 any ring-fenced activities, which attract a higher rate of tax.

**d) Deferred taxation**
The Group has an unrecognised deferred taxation asset of £3,435,686 (2011: £2,766,111) at the year end, calculated at a rate of 25.33% (2011: 27.33%). This is represented by accumulated tax losses of £27,241,855 (2011: £25,522,053) offset by accelerated capital allowances of £13,678,152 (2011: £15,400,900).

### 3. Earnings per share

| | **2012** | 2011 |
|---|---|---|
| | **£** | £ |
| (Loss)/profit for the financial year | **(2,891,146)** | 4,076,610 |
| Basic weighted average ordinary shares in issue during the year | **130,965,660** | 130,786,388 |
| | **Pence** | Pence |
| Basic (loss)/earnings per share | **(2.21)** | 3.12 |

**Diluted earnings per share**

| | **2012** | 2011 |
|---|---|---|
| | **£** | £ |
| (Loss)/profit for the financial year | **(2,891,146)** | 4,076,610 |
| Diluted weighted average ordinary shares in issue during the year | **130,965,660** | 131,349,668 |
| | **Pence** | Pence |
| Diluted (loss)/earnings per share | **(2.21)** | 3.10 |

For 2012, the share options are not dilutive as a loss was incurred. For 2011, a calculation was done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The diluted weighted average ordinary shares in issue during the year was calculated from the basic weighted average ordinary shares in issue during the year, adjusted to reflect the potential dilution assuming the exercise of the options.

### 4. Share capital and redeemable preference shares

| | Allotted, called up and fully paid | |
|---|---|---|
| **Ordinary share capital** | Number | £ |
| **At 31 July 2010** | | |
| - Ordinary shares of £0.10 each | 130,675,774 | 13,067,577 |
| - Issue of new £0.10 ordinary shares | 193,320 | 19,332 |
| **At 31 July 2011** | | |
| - Ordinary shares of £0.10 each | **130,869,094** | **13,086,909** |
| - Issue of new £0.10 ordinary shares | **1,323,242** | **132,324** |
| **At 31 July 2012** | **132,192,336** | **13,219,233** |

| | | |
|---|---|---|
| **At 31 July 2011** | | |
| - Redeemable preference shares of £1 each (classified as a liability) | 50,000 | 12,500 |
| **At 31 July 2012** | | |
| - Redeemable preference shares of £1 each (classified as a liability) | **50,000** | **12,500** |

On 21 December 2010 82,003 10p ordinary shares were issued to staff under the Company's Enterprise Management Incentive Scheme for a cash consideration of £13,260. Following this 130,757,777 ordinary shares were in issue.
On 25 January 2011 111,317 10p ordinary shares were issued to staff under the Company's Enterprise Management Incentive Scheme for a cash consideration of £18,000. Following this 130,869,094 ordinary shares were in issue.

On 7 September 2011, 100,000 10p ordinary shares were issued to staff under the company's enterprise management incentive scheme for a cash consideration of £11,000. Following this 130,969,094 ordinary shares were in issue.
On 30 July 2012, 1,223,242 10p ordinary shares were issued at their nominal value as consideration for the acquisition of Dorset Exploration Limited. Following this 132,192,336 ordinary shares were in issue.

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

**5. Provision for liabilities**

| Group | Other provisions £ | Decommissioning provision £ | Reinstatement provision £ | Total £ |
|---|---|---|---|---|
| At 1 August 2010 | 90,695 | 502,526 | 322,689 | 915,910 |
| Provision (released)/created during the year | - | (55,847) | 98,089 | 42,242 |
| Paid during the year | (11,006) | - | - | (11,006) |
| Disposals in the year | (22,742) | (18,823) | - | (41,565) |
| Transfer of provision on reclassification to D&P | - | 121,553 | (121,553) | - |
| Unwinding of discount | - | 21,124 | 13,611 | 34,735 |
| **At 1 August 2011** | **56,947** | **570,533** | **312,836** | **940,316** |
| Provision created/(released) during the year | **-** | **29,260** | **(5,209)** | **24,051** |
| Paid during the year | **(11,995)** | **-** | **-** | **(11,995)** |
| Disposals in the year | **-** | **(21,266)** | **(19,750)** | **(41,016)** |
| Unwinding of discount | **-** | **28,634** | **5,611** | **34,245** |
| **At 31 July 2012** | **44,952** | **607,161** | **293,488** | **945,601** |

At 31 July 2012 provision has been made for decommissioning costs on the productive fields at Keddington, Kirkleatham, Ceres, Avington and Kirklington. 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 believe 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 2013 and 2021.

Other provisions represents 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, £7,701 (2011: £12,101) is estimated to be payable within one year.

**6. Exploration costs written off, impairments and pre-licence costs**

Exploration costs written off, impairments and pre-licence costs includes impairment charges in respect of the Kirkleatham (£1,600,000), Ceres (£750,000) and Markwells Wood (£800,000) fields. The Kirkleatham and Ceres impairment charges have arisen as a consequence of production issues that have impacted on production and revenue expectations. The recoverable amounts are based on value in use assessed from forecast production, gas price per therm of 55p-60p and a discount rate of 8%.

The Markwells Wood (PEDL126) impairment charge has been recognised as the outcome of the extended well test has cast doubt on the commercial viability of the asset.

Exploration costs written off, impairments and pre-licence costs for 2011 included an impairment charge in respect of the Avington (£130,000) and Kirklington (£100,000) fields. The recoverable amount was based on value in use assessed from forecast production, oil price of $100-$109 and a discount rate of 8%.

**7. Negative goodwill arising on acquisition**

Negative goodwill arising on acquisition of subsidiary represents the excess of the fair values of the assets less the liabilities acquired over the consideration following the acquisition of the 100% interest in Dorset Exploration Limited. The negative goodwill arises following the purchase of Dorset Exploration Limited in an off-market transaction offered to the Group for reasons personal to the vendor.

**8. Annual General Meeting**

The Annual General Meeting will be held at the offices of Buchanan, 107 Cheapside, London, EC2V 6DN on 6 December at 11.30 am.

**Notes to Editors:**

**Egdon Resources plc**

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 France.

Egdon currently holds interests in 29 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.