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Egdon Resources plc  
Annual Report and Accounts 2009

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# Egdon Resources plc

Oil and gas exploration and production Company focused on onshore UK and mainland Europe

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An established business with 24 licences in proven oil and gas-producing basins in the UK and France

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A balanced portfolio of production, development, appraisal and exploration projects positioning the Company for future growth

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A proven operator with an experienced and respected management team

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## Egdon's Strategy

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The aim of the Group is to add shareholder value by building a profitable full cycle exploration and production business with a focus on onshore UK and mainland European operations

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Remain geographically focused, with activity restricted to proven oil and gas-producing areas in the UK and mainland Europe

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A near term focus on production and revenue growth through the development and enhancement of the existing portfolio of oil and gas discoveries

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A strategic objective to add value via the drill bit through an active exploration programme

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Maintain material interests and be a licence operator where appropriate and to joint venture with respected and complementary partners

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Continue to pursue new projects and play types to expand the breadth and quality of its opportunity base and identify and exploit new technologies and opportunities to add shareholder value

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### Operational Highlights

- Production during the period of 23,474 barrels from the Keddington and Avington oil fields (2008: 23,430 barrels)
- Kirklington oil field acquired and restored to production at end of period
- Successful award of Pontenx and Gex Permits in France to broaden European portfolio
- Spudded Dukes Wood-I well in November 2008 – well to be drilled to target horizon in Q4 2009
- Planning approval for the Kirkleatham gas development received in August 2009 leading to a revised target of Q4 2010 gas sales

### Financial and Corporate Highlights

- Oil revenues during the year of £880,127 (2008: £1,121,624)
- Loss for period of £83,523 (2008: loss of £2,376,262 from continuing operations (which excludes gas storage activities))
- Loss per share of 0.12p (2008: loss per share of 3.52p from continuing operations)
- Net current assets as at 31 July 2009 of £1.50 million (2008: £2.29 million)
- No borrowings
- Completion of the sale of a 10% minority interest in PEDL005(Remainder) to Alba Resources Limited containing the Keddington oil field for £260,000
- Acquisition of YCI Resources Limited completed during March 2009 increasing interest in Avington oil field from 20% to 36.667%

Oil revenues for period

**£0.88m**

(31 July 2008: £1.12m)

Net current assets at 31 July 2009

**£1.50m**

(2008: £2.29m)

Total licence holdings

**24**

(2008: 25)

## Chairman's statement

The current year has been a challenging year for all exploration and production businesses and Egdon has not been an exception. We have had to manage reduced and fluctuating oil and energy prices and an uncertain economic outlook. Our strategy to develop the business in this trading environment has been clear: We have focused our efforts on near term production and revenue generating projects, reduced our near term exploration expenditure, and carefully managed our cash resources. Whilst doing this we have always had an eye to the future and looked to position ourselves for growth.

### Financial

The Group recorded a loss for the period of £83,523 (2008: loss of £2,376,262 from continuing operations). This equates to a loss per share of 0.12p (2008: loss per share of 3.52p from continuing operations).

The Group had sustained oil production throughout the year with oil sales of £880,127 (2008: £1,121,624) on volumes of 23,474 barrels (2008: 23,430 barrels).

The Group has no borrowings and has adopted a strategy designed to provide a clear focus on managing costs. The Group had net current assets as at 31 July 2009 of £1.50 million (2008: £2.29 million).

The Directors do not recommend the payment of a dividend (2008: £nil).

### Near term focus on production

We have continued to focus the Company's resources on production and development projects designed to increase production and revenues. Production during the period was 23,474 barrels slightly up from 2008 (23,430 barrels). At 31 July 2009 the Keddington and Avington oil fields were on production.

Production from the Keddington oil field in Lincolnshire continued throughout the period, with net Egdon oil volumes for the year of 13,476 barrels an increase of 24% over 2008 levels (10,866 barrels). We remain encouraged by the upside at Keddington and are planning to drill a sidetrack of the Keddington 2y well based on recently reprocessed 3D seismic data to increase production and revenues from the field by early 2010.

The Avington oil field was placed on production on 23 January 2009 and continued to produce until the end of the year. During March 2009 Egdon increased its interest in Avington from 20% to 36.667% through the acquisition of YCI Resources Limited (later renamed Egdon Resources Avington Limited) from Heyco Energy Group for a consideration of 6,861,434 Egdon ordinary shares and a Net Profit Interest on production from the field. Net production from Avington for the period was 9,998 barrels (2008: 12,564 barrels). In early August 2009 the field was shut-in for a period of around two months whilst the permanent production facilities were upgraded.

During the year Egdon acquired the Kirklington-2 well site in Nottinghamshire (PEDL203) from Star Energy. The Kirklington oil field, which had been shut-in since 2004, is located immediately to the south of the Eakring-Dukes Wood oil field.

The production facilities on the site have been reinstated and improved; test-production was initiated on 28 July 2009 and by 7 August 2009 had achieved a rate of around 30 bopd. This production whilst welcome is not the primary interest for the Company. Egdon has identified the potential to recover additional oil volumes via a sidetrack of the existing Kirklington-2 well. Planning approval is already in place for this well which will be drilled in the near future.

Drilling activity was limited during the period as we consolidated activity around existing projects. However the Dukes Wood-I well was spudded on 18 November 2008 with the drilling of the top-hole section of the well to a depth of 47 metres. This enabled the licence to be extended into its second term. Dukes Wood-I, which is due to complete drilling in November 2009, will test the highest part of the Dukes Wood anticline in an area where Egdon has identified potential for un-drained and re-migrated oil. This is the first well in the evaluation of the rejuvenation potential of the Eakring-Dukes Wood oil field where we see low risk opportunities to add production and reserves to our near term asset base.

The Kirkleatham gas field development (PEDL068) continued, albeit with slower than hoped for progress. A milestone was achieved in August 2009 with the award of planning consent for the development. However, this project has not been immune from the recession with significant changes on the Wilton site leading to delays in finalising the design and agreements. As a result the joint venture partners have agreed to move the target completion of the project from late winter 2009/10 to the start of the 2010 winter gas season where it is anticipated that gas prices will be higher compared to a summer start-up.

### Acquisitions and asset transactions

In addition to the acquisition of YCI Resources Limited detailed above, Egdon also sold a minority interest of 10% in PEDL005 (Remainder) to Alba Resources Limited for a cash consideration of £260,000 in January 2009.

On 23 September 2009 the Company announced it was in advanced negotiations to acquire a portfolio of UK and French assets from EnCore Oil plc ("EnCore"). The assets to be acquired would consist of EnCore's entire interests in ten onshore UK licences, two onshore French licences and an interest in the Ceres gas field located in the Southern North Sea. The Ceres field is due to commence production prior to year end and on the basis of our expectation that the acquisition will complete around the end of 2009 this would therefore contribute to the Company's production target.

On 15 October 2009 the Company announced that it had farmed-down its interest in four East Midlands licences to Terrain Energy Limited for a consideration of £687,500, with £450,000 payable in cash on completion and a further £237,500 payable on a staged basis on commencement of specific drilling activity on licences PEDL005(Remainder), PEDL118 and PEDL203.

### Exploration – the engine for growth

Egdon's strategy is to develop a high-potential exploration portfolio as a platform for future growth. Egdon has an objective of drilling three to four exploration and appraisal wells per year from 2010 onwards to achieve this goal.

As part of the exploration process we continue to add value to our existing licences in the UK and France through detailed ongoing technical work, where we high-grade areas and prospects and look to secure the necessary landowner and planning consents for future drilling. We are currently awaiting the outcome of a planning application for the Holmwood prospect in Surrey and are preparing or considering planning applications for wells at Nooks Farm, Winfrith, North Somercotes and Westerdale. As part of the normal cycle of exploration we also relinquish those licences which do not meet our exacting technical standards. During the period PEDL's 048, 094, 128 and 132 have been relinquished and the past costs written off.

France has been a key focus for the Company's exploration strategy and it is pleasing to report the addition of two further high-potential permits during the year which add significantly to the Company's opportunity base.

The first of these, the Pontenx Permit is located on the southern margins of the Parentis Basin, an oil productive region on the Atlantic coast of France. The Pontenx Permit contains a mix of opportunities including the abandoned Mimizan Nord heavy oil field and a number of high-potential prospects.

The second of these is the Gex Permit which is located in the Jura/Molasse Basin adjacent to the Swiss Border. We are encouraged by its potential for significant gas reserves close to Geneva, an area of major energy demand.

We are also currently awaiting the award of a further French licence; Navacelle.

Egdon has reported best estimate prospective resources as at 31 July 2009 of 280 million barrels of oil equivalent in over 50 prospects. With this high number of prospects we have decided to market a number of farm-out opportunities with the aim of managing risk and accelerating drilling activity on some key projects. The farm-out market is currently very competitive but we hope to be able to report progress in this area during the coming year.

The Company will continue to review new exploration opportunities and apply for new projects where they strengthen our portfolio.

### Outlook

The Company has previously reported a production target of 500 boepd by the end of 2009. The delay in first production from Kirkleatham will impact this target but planned activity at Dukes Wood, Keddington and Kirklington will add to overall production and combined with the proposed acquisition of Ceres from EnCore we expect to reach the target either by the end of 2009 or in early 2010

Looking further ahead the next 12 months will see further progress towards increasing production and revenues with continued production expected from Keddington, Avington and Kirklington and further production volumes anticipated from activity at Dukes Wood, Keddington, Waddock Cross and Kirkleatham.

A return to exploration activity is expected in the next year with potential wells at Winfrith, North Somercotes, Goudhurst and Holmwood dependent upon the outcome of planning applications.

The challenges of the current trading environment can produce interesting acquisition opportunities and Egdon continues to review options to grow the business. As mentioned above, we anticipate completion of the EnCore acquisition and integration of this portfolio into Egdon's asset base around the end of 2009. This would result in additional drilling activity in Southern England and France in 2010.

Meanwhile we thank our shareholders for their continued patience and support, and I would like also to pay tribute to the hard work and endeavours of our staff during the year.

## Philip Stephens

Chairman

3 November 2009

## Asset summary

“The Group currently holds interests in twenty-four licences in the UK and France, all located within proven oil and gas-producing areas, and containing a balance of oil and gas prospectivity.”

### Licence Holdings

#### EGDON RESOURCES U.K. LIMITED

Licence No.	Operator	Egdon Interest	Area km <sup>2</sup>
<b>Onshore U.K.</b>			
PL090	Egdon Resources U.K. Limited	45.00%	202
PEDL005 (Remainder)	Egdon Resources U.K. Limited	90.00%	23.57
PEDL068	Egdon Resources U.K. Limited	20.00%	195
PEDL069	Sterling Resources (UK) Limited	33.33%	60.5
PEDL070	Star Energy Oil UK Limited	20.00%	100
PEDL071	Egdon Resources U.K. Limited	25.00%	250
PEDL118	Egdon Resources U.K. Limited	100.00%	10.4
PEDL130	Egdon Resources U.K. Limited	100.00%	94.6
PEDL138	Star Energy Oil & Gas Limited	50.00%	45
PEDL139	Star Energy Oil & Gas Limited	25.00%	100
PEDL140	Star Energy Oil & Gas Limited	50.00%	130
PEDL141	Egdon Resources U.K. Limited	50.00%	100
PEDL142	Egdon Resources U.K. Limited	96.00%	42
PEDL143	Europa Oil and Gas plc	38.40%	80
PEDL144	Egdon Resources U.K. Limited	96.00%	100
PEDL182	Egdon Resources U.K. Limited	50.00%	40
PEDL201	Egdon Resources U.K. Limited	50.00%	100

Licence No.	Operator	Egdon Interest	Area km <sup>2</sup>
<b>Onshore U.K. continued</b>			
PEDL203	Egdon Resources U.K. Limited	100.00%	10.5
PEDL206	Egdon Resources U.K. Limited	100.00%	100
PEDL237	Egdon Resources U.K. Limited	45.00%	108.5
PEDL241	Egdon Resources U.K. Limited	50.00%	110

#### EGDON RESOURCES AVINGTON LIMITED

##### Onshore UK

PEDL069	Sterling Resources (UK) Limited	33.34%	60.5
PEDL070	Star Energy Oil UK Limited	16.67%	100

#### EGDON RESOURCES (NEW VENTURES) LTD

##### Onshore France

St Laurent	Egdon Resources (New Ventures) Ltd	33.423%	507
Pontenx	Egdon Resources (New Ventures) Ltd	40.00%	313
Gex	Egdon Resources (New Ventures) Ltd	40.00%	932

##### Pending Award

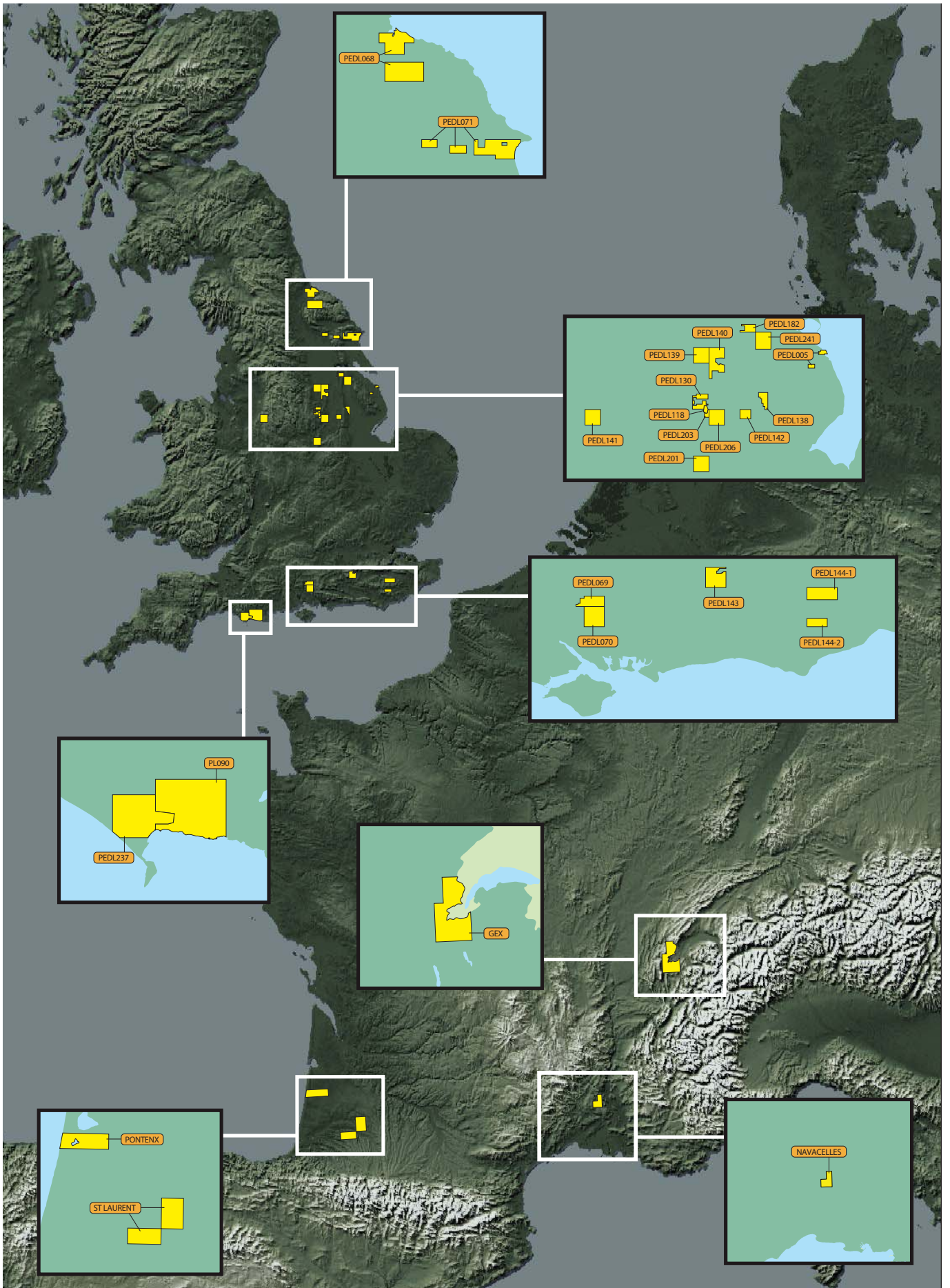
Navacelle	Egdon Resources (New Ventures) Ltd	60.00%	
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## Oil and gas reserves and resources

Class of reserve/resource	Proven	proven + probable	proven + probable + possible	Units	Field/Prospect Name
Net Oil Reserves	0.47	1.01	1.92	MMstb	Keddington <sup>(2)</sup> , Avington <sup>(2)</sup> , Waddock Cross <sup>(1)</sup> , Kirklington <sup>(2)</sup>
		Best Estimate			
Net Oil Contingent Resources		4.78		MMstb	Avington Phase 2 <sup>(1)</sup> , Grenade <sup>(2)</sup> , Kirklington <sup>(2)</sup> , Broughton <sup>(2)</sup>
Net Oil Prospective Resources		106.41		MMstb	Eakring <sup>(2)</sup> , Winfrith <sup>(1)</sup> , Casterbridge/Broadmayne <sup>(1)</sup> , North Kelsey <sup>(2)</sup> , Goudhurst <sup>(2)</sup> , Wymeswold <sup>(2)</sup> , Mimizan Nord <sup>(2)</sup> , etc.
Total Oil		111.19		MMstb	
		Best Estimate			
Net Gas Contingent Resources		6.75		Bscf	Nooks Farm <sup>(2)</sup> , Kirkleatham <sup>(2)</sup> , Westerdale <sup>(2)</sup> , Keddington <sup>(2)</sup> .
Net Gas Prospective Resources		1,469.05		Bscf	Holmwood <sup>(1)</sup> , Audignon <sup>(2)</sup> , Grand Cret <sup>(2)</sup> , North Somercotes <sup>(2)</sup> , Duggleby <sup>(2)</sup> , etc.
Total Gas		1,475.80		Bscf	

### Notes

<sup>(1)</sup>Independent Assessment by RPS Troy-Ikoda 2004. <sup>(2)</sup>Based on Company Evaluations.



### Producing Assets – establishing cash flow

A key focus for the business has been to target investment in near term production and revenue generating projects. Egdon currently has production from three UK onshore oil fields as detailed below.

#### **Keddington (PEDL005(remainder) – Egdon 90%\* and operator)**

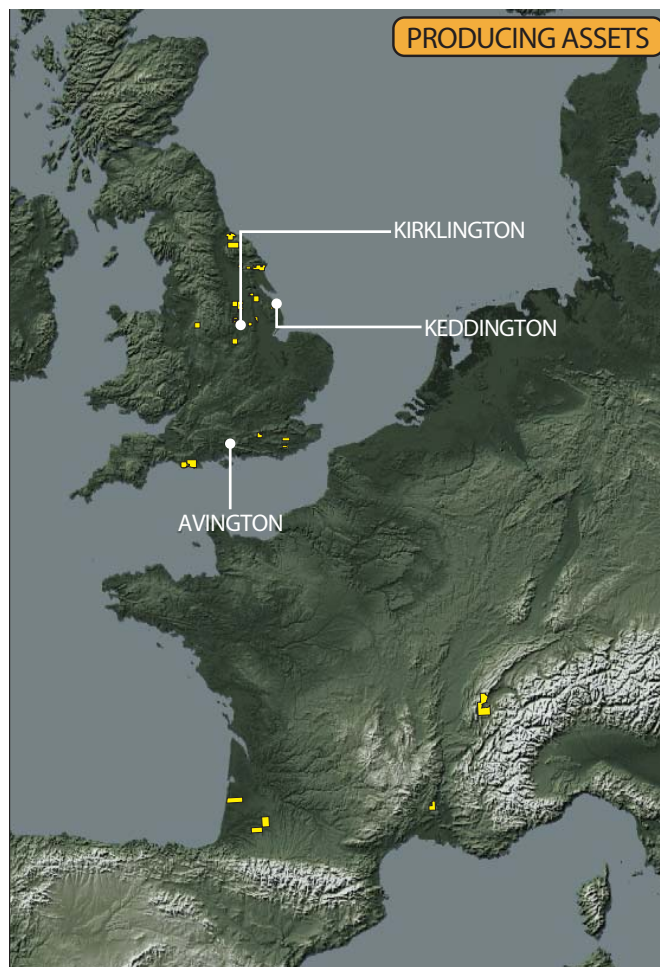
The Keddington oil field, located in Lincolnshire, produces oil and associated gas from two sandstone intervals of Carboniferous age at a depth of around 2,200 metres. There are two producing wells on the field; Keddington-1z and Keddington-2y. Year on Year net Egdon production increased in 2009 by 24% to 13,476 barrels. We remain encouraged by the upside at Keddington and are planning to drill a sidetrack of the Keddington-2y well to increase production and revenues. Reprocessing of the existing 3D seismic data has been completed and is currently being interpreted to determine the final bottom hole location. It is hoped that a successful sidetrack well could boost production to 150–200 bopd. Planning is in place and it is hoped to drill the sidetrack in the near future.

#### **Avington (PEDL070 – Egdon 36.67% non operated)**

The Avington oil field, located in Hampshire, produces oil from the Middle Jurassic Great Oolite reservoir at a depth of around 1,600 metres. During the period the operator obtained all required consents and the field was placed on production on 23 January 2009. There are two horizontal wells on the field; Avington-2z and Avington-3z. Production to date has been from the Avington-3z well with Net Egdon production during the period of 9,998 barrels (2008: 12,564 barrels). Egdon increased its interest in Avington from 20% to 36.67% through the acquisition of YCI Resources Limited. Production facilities were upgraded during August and September 2009 and it is intended to add production from the Avington-2z well in due course.

#### **Kirklington (PEDL203 – Egdon 100%\* and operator)**

The Kirklington oil field, located in Nottinghamshire, has two oil bearing zone units; the Sub-Alton Crawshaw and the Chatsworth Grit reservoirs at around 650 metres depth. There is a single well on the field; Kirklington-2, which is completed for production from the Chatsworth Grit. The Kirklington oil field had been shut-in since 2004 prior to restarting test production on 28 July 2009. The Company has identified the potential to recover additional oil volumes via a sidetrack of the existing well and intends to drill this within the next few months.



\*Egdon will hold a 75% interest in these licences on completion of the asset sale to Terrain Energy.



## Development and appraisal projects – growing production and revenues

Egdon has a number of near term development and appraisal projects capable of adding further production and revenues.

### UK

#### Eakring-Dukes Wood oil field rejuvenation (PEDL118 – 100%\* operated)

The Eakring-Dukes Wood abandoned oil field, located in Nottinghamshire, was discovered in 1939 and produced from a number of shallow sandstone reservoirs of Carboniferous age from 1940 until 1966. Total production at abandonment was 6.5 million barrels. Egdon have identified potential to rejuvenate the field. The first step in a planned initial four well programme will be the drilling of the Dukes Wood-1 well which will be drilled directionally to test a number of reservoir intervals in the Dukes Wood anticline. Egdon estimate the initial development will access net Egdon most-likely reserves of 0.56 MMstb.

#### Waddock Cross oil field (PL090 – 45% operated)

The Waddock Cross oil field, located in Dorset, has two wells which are completed for production from the Jurassic Bridport Sands Formation at a depth of 660 metres; Waddock Cross-2 and 3. Planning consent is in place for a six month extended well test designed to confirm the development plans for the accumulation. It is intended to commence this testing in the near future. Net Egdon most-likely reserves are 0.7 MMstb.

#### Kirkleatham Gas Field (PEDL068 – 20%\*\* operated)

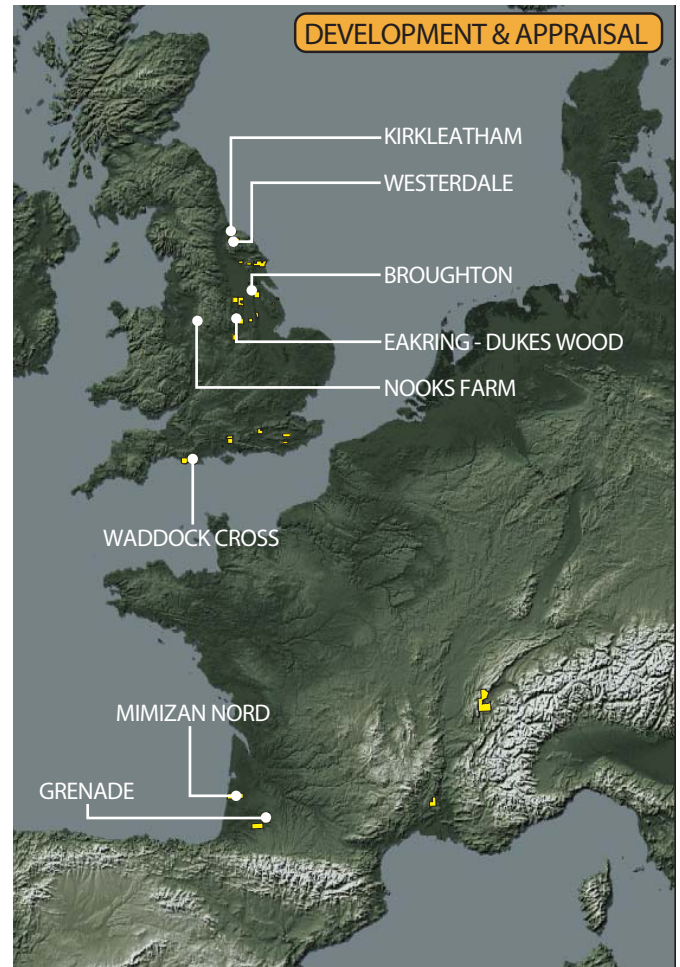
The Kirkleatham gas field, near Redcar, is a stratigraphically trapped gas accumulation in a Permian age limestone reservoir, discovered in 2006 by the Kirkleatham-4 exploration well. Gas was discovered at a depth of around 800 metres and tested at rates of up to 5 million cubic feet per day. Outline agreement and planning consent are in place to produce and sell the gas to the nearby Wilton works for use in power generation. The joint venture are now working on a revised target for first gas of winter 2010. Net Egdon most likely contingent resources are estimated at 0.94 Bscf. The option exists to convert the Kirkleatham field into a gas storage facility once the gas reserves are depleted.

#### Westerdale (PEDL068 – 20%\*\* operated)

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 over the coming year. Net Egdon best estimate prospective resources are 4.4 Bscf.

#### Nooks Farm Gas field (PEDL141 – 46% operated)

The Nooks Farm gas accumulation, located in Staffordshire, was discovered by Shell in 1982, with the Nooks Farm-1a well encountering gas bearing sandstones of Carboniferous age at shallow depth, which tested at a maximum flow rate of over 1 million cubic feet of gas per day. A planning application is nearing submission for development via re-entry of the original well and on-site electricity generation with a well planned for 2010. Egdon are carried through this work programme. Net Egdon Contingent Resources are 1.15 Bscf.



#### Broughton (PEDL182 – 50% operated)

The Broughton-1 oil discovery, in Lincolnshire, was drilled and tested by BP in 1984. The well flowed at rates of up to 40 bopd from a thin Carboniferous age sandstone interval before being abandoned. Egdon have identified potential up-dip of the original well and will acquire 2D seismic data over the discovery prior to committing to further drilling. Net Egdon best estimate resources of 0.82 MMstb.

### France

#### Grenade (St Laurent – 33.423% operated)

The Grenade heavy oil accumulation, located in SW France, was discovered in 1975 and appraised by the Grenade-3 well in early 2008. The well failed to find hydrocarbons and technical work has been ongoing to determine the extent of the heavy oil accumulation at Grenade and forward appraisal programme. The Grenade-3 well was suspended and a decision on sidetracking or abandonment of the well will be made in the coming years. The best estimate gross oil in place is now estimated at 86 MMstb which equates to net Egdon contingent resources of 2.6 MMstb.

#### Mimizan Nord (Pontenx – 40% operated)

The Mimizan Nord abandoned heavy oil field, on the Atlantic coast of SW France, may have potential for rejuvenation of production and this will be investigated during the coming year.

\*Egdon will hold a 75% interest in these licences on completion of the asset sale to Terrain Energy.

\*\* Egdon will hold a 40% interest in this licence on completion of the EnCore acquisition.

### Exploration – Positioning the Company for future growth

Successful exploration is a significant value creator. Egdon has made good progress in enhancing the breadth and quality of exploration opportunities within its portfolio during the period through ongoing technical evaluation and the award of two new licences in France. A number of these projects are highlighted below.

#### UK

##### Winfrith and Wessex Exploration (PL090, PEDL237 – 45% operated)

Significant exploration potential has been identified within the Group's Dorset licences. The main play is the Sherwood Sandstone which is productive at the giant Wytch Farm oil field. A planning application is due for submission shortly for the Winfrith Prospect in PL090, a faulted anticline with Net Egdon best estimate prospective resource potential of 1.64 MMstb. Elsewhere in the basin Egdon have mapped net Egdon best estimate prospective resource potential of 31.5 MMstb within PEDL237, in the Sherwood Sandstone and Bridport Sandstone reservoirs.

##### Holmwood (PEDL143 – 38.4% non operated)

The Holmwood Prospect, located in Surrey, is a robust structural trap located between known gas and oil accumulations. A planning application for an exploration well is currently being considered by Surrey County Council. A well is planned for 2010 conditional upon planning. Net Egdon best estimate prospective resources are estimated at 16.6 Bscf.

##### Goudhurst (PEDL144 – 96% operated)

The Goudhurst Prospect, in Kent, is a large low-relief anticline with multiple reservoir targets. The prospect has been confirmed on reprocessed seismic data and a suitable well site will now be sought. Subject to planning a well would be drilled in 2010. Goudhurst has net Egdon best estimate prospective resources of 21 MMstb.

##### North Somercotes (PEDL005\*(Remainder) – 90% operated)

The North Somercotes Prospect, on the Lincolnshire coast, is a robust structure defined on 3D seismic data and located to the north of the Saltfleetby gas field. A suitable site is being sought prior to submission of planning. Net Egdon best estimate prospective resources are estimated at 10 Bscf.

##### North Kelsey (PEDL241 – 50% operated)

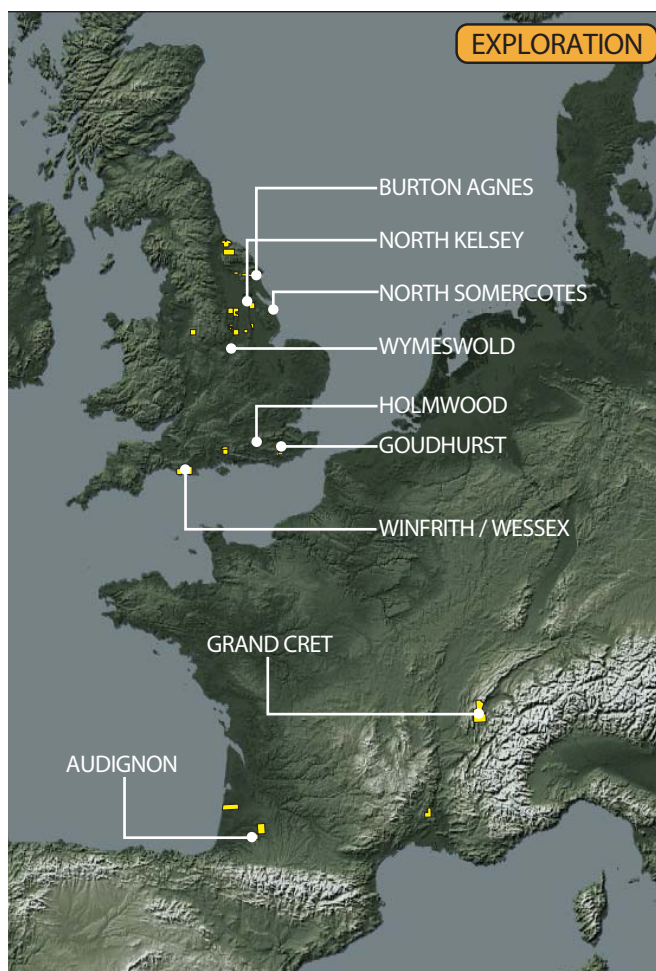
The North Kelsey Prospect is a robust structural trap defined on 3D seismic data. Reprocessing of this seismic data is currently underway. Egdon have mapped net best estimate prospective resources of 3.1 MMstb.

##### Wymeswold (PEDL201 – 50% operated)

The Wymeswold Prospect is a structural trap located immediately to the east of and analogous to the Rempstone oil field. Egdon have mapped net best estimate prospective resources of 0.6 MMstb.

##### Burton Agnes (PEDL071 – 25% operated)

A prospect has been identified up-dip of the Burton Agnes-1 exploration well drilled in 2008. The Burton Agnes-1 well was suspended to provide the option to sidetrack to this more elevated part of the structure should the ongoing technical evaluation warrant this. A decision will be made during 2010. The geothermal energy potential of the well will also be assessed.



#### France

##### Audignon Prospect (St Laurent – 33.423% operated)

The Audignon Prospect is a very large Triassic sandstone sub-salt gas prospect defined on reprocessed 2D seismic data. Net Egdon best-estimate prospective resources are 1 TCF. Egdon will continue to address the technical risks on the project whilst looking to bring in a farm-in partner for this deep, high potential but higher risk Company-making prospect.

##### Grand Cret (Gex – 40% operated)

Grand Cret is a large surface anticline with identified closure at Triassic level and is the initial exploration focus of the Gex Permit. Preliminary evaluation has indicated the structure has potential for over 1 TCF of gas or 166 MMstb (Net Egdon prospective resource of 400 Bscf or 66 MMstb). Geological, geochemical and seismic studies are ongoing to further define this and other similar prospects in the permit.

\*Egdon will hold a 75% interest in this licence on completion of the asset sale to Terrain Energy.



**Philip Stephens** MA (Non-Executive Chairman), aged 67, is a corporate financier with 38 years of City experience. He is currently Non-Executive Chairman of Neptune-Calculus Income and Growth VCT plc. He is also a Non-Executive Director of Foresight 4 VCT plc. He was Joint Head of the Corporate Finance Department of stockbrokers Williams de Broe for four years until his retirement in 2002 and before that was Head of UK Corporate Finance at UBS from 1995, having joined in 1989.



**Mark Abbott** BSc (Managing Director), aged 48, is an experienced geophysicist and founding Director of Egdon Resources plc. He graduated from the University of Nottingham in 1985 with a degree in Exploration Sciences (Geology/Geophysics/Mining Engineering). He worked for the British Geological Survey from 1985 to 1992 in the UK and overseas. Between 1992 and 1996 he worked in the International Division of British Gas Exploration and Production Limited and was employed by Anadarko Algeria Corporation from 1996 to 1997. He is also a Non-Executive Director of Portland Gas plc, MA Exploration Services Limited, Bishopswood Pavilion Limited and a Trustee of the UK Onshore Geophysical Library.



**Walter Roberts** MA (Non-Executive Director and Company Secretary), aged 58, is an oil and gas lawyer with an engineering background. He qualified as a solicitor with Simmons & Simmons before joining Phillips Petroleum in 1980. In 1986 he set up the legal department for Lasmo in Australia and later became the principal UK joint venture negotiator for Talisman. Walter is currently the Commercial Director of Portland Gas plc, an Executive Director of Pinnacle Energy Limited.



**Andrew Hindle** BSc, MSc, PhD (Non-Executive Director), aged 47, is an experienced geologist and founding Director of Egdon Resources plc. He holds a BSc degree in Geological Sciences (1983) from Leeds University and an MSc. Degree in Petroleum Geology (1985) from Aberdeen University. In 1998 he completed a PhD (part-time) through the Open University for research into petroleum migration. He worked for Texaco from 1985 until 1996 on UK and international exploration and development projects. Subsequently he worked for Anadarko Algeria Corporation from 1996 to 1997. Andrew is Chief Executive Officer of Portland Gas plc, and is also a Director of Geofocus Limited, Toffee Limited, Eskbank Resources Limited and Eskbank Resources (Canada) Ltd.



**Ken Ratcliff** JP, BSc FCA, (Non-Executive Director), aged 59, is a chartered accountant with extensive finance and business experience. He is currently the College Accountant at Epsom College and is the co-founder and Accountant at Geokinetics Processing UK Limited. Ken is non-executive Chairman of Portland Gas plc and has previously held senior management positions with GDC UK Limited, Ensign Geophysics Limited, Seismic Geocode Limited, Tenneco Corporation and Merlin Geophysical Limited.



**John Rix** FCA, (Non-Executive Director), aged 75, following five years abroad with Shell International, John worked in the City as an Investment Analyst specialising in the oil industry, holding positions in N.M. Rothschild, de Zoete & Bevan and Greig Middleton. Since retiring in 1994, he has continued to be actively involved with investment, mainly related to the Oil Industry. John is Chairman and Managing Director of both Dorset Exploration Limited and Yorkshire Exploration Limited.

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## Corporate governance statement

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The Egdon Resources plc Board is committed to running its business with integrity and high ethical standards across all of the Group's activities. The Directors recognise the value of the Combined Code on Corporate Governance and whilst under the AIM rules compliance is not required, the Directors believe that the Company applies the recommendations in so far as is appropriate for a public Company of its size.

This statement explains how the Directors applied the principles of the code during the year ended 31 July 2009.

### The Board

The Board comprises of one Executive Director and five Non-Executive Directors all of whom served throughout the year.

The background and experience of the Directors are relevant to the Group activities and are summarised on page 9 of this report. As such, the Directors are of the opinion that the Board comprises a suitable balance and that the recommendations of the Combined Code have been implemented to an appropriate level.

The Board meets regularly throughout the year and met seven times in the year to 31 July 2009. All meetings were attended by all Directors, except one from which one Director was absent. In addition there was one meeting to approve administrative resolutions which was only partly attended although all Directors had approved the business.

The Board is responsible for formulating, reviewing and approving the Group's strategy, financial activities and operating performance. Day-to-day management of the Company is devolved to the Executive Director who is charged with consulting the Board on all significant financial and operational matters. Consequently decisions are made promptly and following consultation amongst the Directors concerned where necessary and appropriate.

A statement of the Directors' responsibilities in respect of the accounts is set out on page 14.

The Company has established Audit and Remuneration Committees which are discussed further below.

### Audit Committee

An Audit Committee has been established and comprises Ken Ratcliff (Chairman), Philip Stephens and John Rix. The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported on and monitored. This includes reviewing significant financial reporting issues and accounting policies and disclosures in financial reports. The Audit Committee reviews the scope and results of the external audit and monitors the integrity of the financial statements of the Company. If required, meetings are attended by appropriate members of the senior management. The external auditors have unrestricted access to the Chairman of the Committee. The Audit Committee is also responsible for reviewing the requirement for an internal audit function.

The Audit Committee plans to meet at least twice a year. The committee met twice in the year to 31 July 2009 and all members were present at the meetings.

### Remuneration Committee

A Remuneration Committee has been established and its current members comprise Walter Roberts (Chairman), Philip Stephens and Ken Ratcliff. The principal objective of the Remuneration Committee is to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

The Company's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee agrees with the Board a framework for the remuneration of the Chairman, the Executive Director and the senior management of the Company. Non-executive fees are considered and agreed by the Board as a whole.

The Remuneration Committee plans to meet at least twice in each year. It met once in the year to 31 July 2009 and all members were present at the meeting. However the members discussed whether a meeting was required at other times during the year.

### Nomination Committee

The Company has not established a Nomination Committee as the Directors are of the opinion that such a Committee is inappropriate given the current size of the Group.

### Relations with shareholders

Communication with shareholders is given a high priority and the Chairman and Managing Director have regular dialogue with institutional investors, as well as making general presentations to analysts at the time of the annual and interim results.

The Group maintains a website ([www.egdon-resources.com](http://www.egdon-resources.com)) for the purpose of providing information to shareholders and potential investors. The website contains all news, releases, reports and accounts and public presentations. In addition further detailed information about the Group's activities is available on the website.

Enquiries from individual shareholders in relation to their shareholding and the business as a whole are welcomed and the website has an enquiry facility and contact details to assist in facilitating this. Shareholders are encouraged to attend the Annual General Meeting at which they are able to put questions to the Chairman and other board members.

### Internal controls

The Board is responsible for establishing and maintaining the effectiveness of the Group's internal controls and risk management systems. They are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. The controls which cover financial and operational matters are reviewed on an ongoing basis. It is recognised that a system of internal controls cannot provide absolute assurance that material financial irregularities will be detected or that a risk of failure to achieve business objectives is eliminated. The Board keeps under review the necessity for establishing an internal audit function but considers that, given the size of the Group and the close involvement of senior management in day-to-day operations, there is currently no requirement for such a function.

### Risk

The Directors are responsible for the effectiveness of the Group's risk management activities and internal control process. The Group is exposed to a range of technical, geological, operational, political, environmental, health and safety and financial risks in the conduct of its operations.

The Group seeks to manage and mitigate these risks through maintaining a spread of exploration and production interests, through compliance with the terms of its licences, through adopting policies appropriate to the Company's size and by the use of skilled personnel.

The table below sets out the principal risk factors that may affect the Group's business, their potential impact and mitigation strategies developed. Risks are grouped into four main categories: strategic; financial; operational; and external. Such risk factors are not intended to be presented in any assumed order of priority. Any of the risk and uncertainties could have a material adverse impact on the business. The risks as set out are not exhaustive and additional risks and uncertainties, not presently identified or considered material by the Company, may arise or become material in the future. In particular, the Company's performance might be affected by changes in market and/or economic conditions and in legal, regulatory and tax requirements.

Risk category	Mitigation
<b>Strategic risk</b>	
Ineffective or poorly executed strategy fails to create shareholder value.	
Inappropriate mix of oil and gas interests	Interests in two countries and several sedimentary basins.
Inappropriate allocation of resources between organic and acquisition-led growth	Regular review of capital investment programmes. Board approval required for exploration programmes, acquisitions and divestments.
Ineffective or inadequate management processes	Policies and procedures appropriate for an exploration and production company of Egdon's scale and size.
Loss of key staff/succession planning	Remuneration policies to attract and retain staff.
<b>Financial risk</b>	
Failure to meet financial obligations to stakeholders.	
Industry cost inflation	Use of rigorous contracting procedures with competitive tendering and fixed price contracts wherever possible.
Oil and gas price volatility	Use range of commodity prices in forecasting. Look to hedging as production volumes and number of fields increase.
Inadequate or excessive hedging	Limited opportunity for hedging with current producing assets. Review hedging policy as production volumes and number of fields increase.
Uninsured events	Comprehensive insurance policies.
Underperforming assets	Range of production forecasting in budget process. Increase number and breadth of producing assets.
Cost over-run	Main capital expenditure is in drilling operations. Look to farm-out projects where significant risk of cost over-run exists to limit exposure.
Mis-priced corporate acquisitions	Board approval required for acquisitions. Conservative valuation of assets.
<b>Operational risk</b>	
Operational event impacts staff, contractors, communities or the environment leading to loss of reputation and/or revenue.	
HSE incident	HSE standards set and monitored across the Group.
Development failure	Technical, Financial and Board approval of development projects with regular reporting of field performance.
Sustained exploration failure	Robust technical review of all projects. Board approval of exploration budgets and regular reporting of exploration results.
Corruption or reputation failure	High levels of ethical standards apply to all Group activity.
Loss of key staff	Remuneration policies to attract and retain staff.
Failure to secure equipment, services and resources	Rigorous contracting and procurement procedures applied to all operations. Long term planning of required resources. Maintain intelligence on availability of equipment, services and materials in areas of operation.
Corporate and social responsibility	Maintain good community relationships.
<b>External risk</b>	
Failure to manage and grow the business caused by external political, industry or market factors.	
Political risk and fiscal change	Develop sustainable relationships with government ministries and collaborate with industry bodies to communicate interests to government authorities.
Oil and gas price volatility	Use range of commodity prices in forecasting. Look to hedging as production volumes and number of fields increase.
Lack of control of key assets	Proactive formal and informal communications with joint venture partners
Corporate governance failings	Review of compliance requirements and ongoing consultation with legal and financial advisors and Audit Committee.
Shareholder sentiment	Maintain good communications with shareholders. Present timely and transparent information. Maintain website. Effectively convey and execute corporate strategy.
Hostile acquisition	Robust defence strategies against hostile acquisition. Effective and continuous communication with shareholders.

## Directors' report

The Directors submit their report and audited Group financial statements for the year ended 31 July 2009.

### Principal activity and review of business

The principal activities of the Group are exploration and production of hydrocarbons in the UK and France.

The Company is required by the Companies Act to set out in this report a fair review of the business of the Group during the financial year ended 31 July 2009 and of the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group ("business review"). The information that fulfils the requirements of the business review can be found within the Chairman's Statement, Operational Review and Corporate Governance Statement on pages 2 to 8, and 10 and 11.

### Health, safety and environmental

As an oil and gas exploration and production business, the Company is conscious of its health, safety and environmental responsibilities. The Company is committed to high standards of health, safety and environmental protection and performance and these aspects command equal prominence with other business considerations in the decision making process.

There were no reportable Health and Safety incidents during the period.

### Results and dividends

The Group recorded a consolidated loss from continuing operations during the year of £83,523 (2008: £2,376,262). The loss for the year includes exploration write-downs and pre-licence costs of £151,620 (2008: £1,441,260).

The Directors do not recommend the payment of a dividend (2008: £nil).

### Share capital

At the date of this report the total number of shares in issue and fully paid in the Company was 75,475,774 ordinary 10p shares. Details of movements in share capital made during the year are given in note 27 to the financial statements.

### Directors

The Directors of the Company at the date of this report, and their biographical summaries are given on page 9. All Directors served throughout the year.

The Directors' remuneration is detailed in note 8 to the financial statements. All Directors benefit from the provisions of Directors' and officers' indemnity insurance policies. Premiums payable to third parties are described in note 8.

The Directors of the Company at the date of this report held the following interests in the Company.

	%	Shares
Philip Stephens	0.13	100,000
Mark A W Abbott	9.55	7,204,806
Walter Roberts	1.58	1,191,750
Andrew D Hindle	8.82	6,659,232
Ken Ratcliff	0.07	53,000
John Rix	1.71	1,293,949

**Charitable and political donations**

During the year the Group made various charitable contributions in the UK totalling £100 (2008: £400). No donations were made for political purposes (2008: £nil).

**Creditor payment policy**

The Group's policy for all suppliers is to fix terms of payment when entering into a business transaction, ensure that the supplier is aware of those terms and to abide by the agreed terms of payment. The number of day's trade creditors was 47 (2008: 24) for the Group.

**Financial instruments**

The financial risk management objectives and policies of the Company in relation to the use of financial instruments and the exposure of the Company and its subsidiary undertakings to its main risks, credit risk and liquidity risk, are set out in note 25 to the financial statements.

**Employees**

The Group had 11 employees as at 31 July 2009 (2008: 12). Employees are encouraged to directly participate in the business through a share option scheme. Details of the share option scheme are given in note 9 to the financial statements.

**Post balance sheet events**

Details of post balance sheet events are shown in note 35 to the financial statements.

**Auditors**

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

**Going concern**

After making enquiries the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. Further details are included in accounting policies set out in note 2.

**Disclosure of information to the auditors**

In the case of each person who was a Director at the time this report was approved: so far as the Director was aware there was no relevant available audit information of which the Company's auditors were unaware and that Director had taken all steps that the Director ought to have taken as a Director to make himself aware of any relevant information and to establish that the Company's auditors were aware of that information.

By order of the Board

**Mark A W Abbott**

Managing Director

3 November 2009

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## Statement of Directors' responsibilities

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The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group, and elected to prepare the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

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

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



We have audited the financial statements of Egdon Resources plc for the year ended 31 July 2009 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Shareholder Equity and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Section 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 July 2009 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

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

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

Joanne Tollow  
Senior Statutory Auditor, for and on behalf of  
**Nexia Smith & Williamson**  
Statutory Auditor  
Chartered Accountants

1 Bishops Wharf  
Walnut Tree Close  
Guildford GU1 4RA  
3 November 2009

## Consolidated income statement

For the year ended 31 July 2009

	Notes	2009 £	2008 £
<b>Continuing operations</b>			
Revenue	3	<b>880,127</b>	1,121,624
Cost of sales – exploration costs written off and pre-licence costs	4	<b>(151,620)</b>	(1,441,260)
Cost of sales – other		<b>(678,895)</b>	(1,103,236)
<b>Total cost of sales</b>		<b>(830,515)</b>	(2,544,496)
<b>Gross profit/(loss)</b>		<b>49,612</b>	(1,422,872)
Other administrative expenses	4	<b>(480,927)</b>	(1,189,836)
Negative goodwill arising on acquisition of subsidiary	19	<b>62,828</b>	–
<b>Total administrative expense</b>		<b>(418,099)</b>	(1,189,836)
Other operating income		<b>54,236</b>	91,295
Exceptional item – profit on disposal of property, plant and equipment	5	<b>221,300</b>	–
		<b>(92,951)</b>	(2,521,413)
Financial revenue	11	<b>30,226</b>	161,476
Finance costs	12	<b>(20,798)</b>	(16,325)
<b>Loss on ordinary activities before taxation</b>		<b>(83,523)</b>	(2,376,262)
Taxation on loss on ordinary activities	13	–	–
<b>Loss for the period from continuing operations after taxation</b>		<b>(83,523)</b>	(2,376,262)
Loss from discontinued operations	14	–	(798,000)
<b>Loss for the period</b>		<b>(83,523)</b>	(3,174,262)
<b>Loss per ordinary share</b>	15		
Basic and diluted loss per share		<b>(0.12)p</b>	(4.70)p
<b>Basic and diluted loss per share (continuing operations)</b>		<b>(0.12)p</b>	(3.52)p
<b>Basic and diluted loss per share (discontinued operations)</b>		–	(1.18)p

# Consolidated balance sheet

As at 31 July 2009

Business Review	Financial Statements
Governance	AGM Information

	Notes	2009 £	2008 £
<b>Non-current assets</b>			
Intangible assets	17	<b>5,697,408</b>	5,471,666
Property, plant and equipment	18	<b>2,480,488</b>	775,616
<b>Total non-current assets</b>		<b>8,177,896</b>	6,247,282
<b>Current assets</b>			
Inventory	20	<b>12,127</b>	–
Trade and other receivables	21	<b>437,502</b>	394,312
Available for sale financial assets	22	<b>50,000</b>	50,000
Cash and cash equivalents	23	<b>1,307,143</b>	2,167,058
<b>Total current assets</b>		<b>1,806,772</b>	2,611,370
<b>Current liabilities</b>			
Trade and other payables	24	<b>(311,078)</b>	(318,546)
<b>Net current assets</b>		<b>1,495,694</b>	2,292,824
<b>Total assets less current liabilities</b>		<b>9,673,590</b>	8,540,106
<b>Non-current liabilities</b>			
Provisions	26	<b>(750,333)</b>	(249,545)
<b>Net assets</b>		<b>8,923,257</b>	8,290,561
<b>Shareholders' funds</b>			
Share capital	27	<b>7,547,577</b>	6,861,434
Share premium	28	<b>65,000</b>	65,000
Merger reserve	29	<b>–</b>	–
Share based payment reserve		<b>30,076</b>	–
Retained earnings		<b>1,280,604</b>	1,364,127
		<b>8,923,257</b>	8,290,561

These financial statements were approved by the Board of Directors and authorised for issue on 3 November 2009.

They were signed on its behalf by:

## M A W Abbott

Director

Company registration number 06409716

# Company balance sheet

As at 31 July 2009

	Notes	2009 £	(restated) 2008 £
<b>Non-current assets</b>			
Property, plant and equipment	18	2,192	591
Investments	19	9,964,782	9,138,000
<b>Total non-current assets</b>		<b>9,966,974</b>	9,138,591
<b>Current assets</b>			
Trade and other receivables	21	110,670	119,378
Cash and cash equivalents	23	2,108	2,731
<b>Total current assets</b>		<b>112,778</b>	122,109
<b>Current liabilities</b>			
Trade and other payables	24	(522,677)	(179,553)
<b>Net current (liabilities)</b>		<b>(409,899)</b>	(57,444)
<b>Total assets less current liabilities</b>		<b>9,557,075</b>	9,081,147
<b>Non-current liabilities</b>			
Provisions	26	(94,307)	–
<b>Net assets</b>		<b>9,462,768</b>	9,081,147
<b>Shareholders' funds</b>			
Share capital	27	7,547,577	6,861,434
Share premium	28	65,000	65,000
Merger reserve	29	2,357,816	2,357,816
Share based payment reserve		30,076	–
Retained earnings – deficit	16	(537,701)	(203,103)
		<b>9,462,768</b>	9,081,147

These financial statements were approved by the Board of Directors and authorised for issue on 3 November 2009.

They were signed on its behalf by:

## M A W Abbott

Director

Company registration number 06409716

# Consolidated cash flow statement

For the year ended 31 July 2009

Business Review	Financial Statements
Governance	AGM Information

	2009 £	2008 £
<b>Cash flows from operating activities</b>		
Loss before tax – excluding exceptional items	(304,823)	(3,174,262)
Adjustments for:		
Depreciation and impairment of fixed assets	339,499	1,537,531
Deduct negative goodwill (note 19)	(62,828)	–
Increase in trade and other receivables	(44,443)	(109,437)
(Increase)/decrease in inventory	(12,127)	24,169
Decrease in trade payables and other payables	(20,261)	(660,258)
Movement in provisions	(6,342)	2,954
Gross profit on oil well testing	8,153	–
Finance costs	20,798	–
Financial revenue	(30,226)	(290,476)
Share based remuneration charge	30,076	–
Bonus paid by way of issue of shares	–	146,250
Net cash flow used in operating activities	(82,524)	(2,523,529)
<b>Investing activities</b>		
Acquisition of subsidiary (net of cash acquired) (note 19)	(22,311)	–
Interest received	30,226	290,476
Payments for exploration and evaluation assets	(823,505)	(2,055,487)
Payments for other intangible fixed assets	–	(2,556,248)
Purchase of property, plant and equipment	(223,439)	(62,351)
Sale of tangible fixed assets	261,638	–
Cash held by subsidiary on demerger	–	(3,650,735)
Net cash flow from capital expenditure and financial investment	(777,391)	(8,034,345)
<b>Financing activities</b>		
Issue of shares	–	5,000,000
Costs associated with issue of shares	–	(174,744)
Net cash flow from financing	–	4,825,256
Net decrease in cash and cash equivalents	(859,915)	(5,732,618)
Cash and cash equivalents as at 1 August 2008	2,167,058	7,899,676
<b>Cash and cash equivalents as at 31 July 2009</b>	<b>1,307,143</b>	<b>2,167,058</b>

Significant non-cash transactions comprised the issue of equity share capital as consideration for the acquisition of subsidiary companies (note 19), provision for liabilities in connection with acquisition of a subsidiary and for decommissioning and reinstatement (note 26) and (in 2008 only) the disposal of Portland Gas plc, effected by way of a scheme of arrangement.

## Company cash flow statement

For the year ended 31 July 2009

	2009 £	2008 £
<b>Cash flows from operating activities</b>		
Loss before tax	<b>(334,598)</b>	(203,103)
Adjustments for:		
Depreciation and impairment of plant and equipment	<b>566</b>	74
Decrease/(increase) in trade and other receivables	<b>8,708</b>	(119,378)
Increase in trade payables	<b>343,124</b>	179,553
Share based payments	<b>–</b>	146,250
Movement in provision	<b>23,734</b>	–
Financial revenue	<b>(258)</b>	(47)
Net cash flow from operating activities	<b>41,276</b>	3,349
<b>Investing activities</b>		
Purchase of fixed asset investments	<b>(39,990)</b>	–
Interest received	<b>258</b>	47
Purchase of plant and equipment	<b>(2,167)</b>	(665)
Net cash flow from capital expenditure and financial investment	<b>(41,899)</b>	(618)
<b>Financing activities</b>		
Issue of shares	<b>–</b>	–
Net cash flow from financing	<b>–</b>	–
Net (decrease)/increase in cash and cash equivalents	<b>(623)</b>	2,731
Cash and cash equivalents as at 31 July 2008	<b>2,731</b>	–
<b>Cash and cash equivalents as at 31 July 2009</b>	<b>2,108</b>	2,731

Significant non-cash transactions comprised the issue of equity share capital as consideration for the acquisition of subsidiary companies (note 19), provision for liabilities in connection with acquisition of a subsidiary (note 26) and (in 2008 only) the disposal of Portland Gas plc, effected by way of a scheme of arrangement

## Consolidated statement of changes in shareholders' equity

For the year ended 31 July 2009

Business Review	Financial Statements
Governance	AGM Information

	Share capital £	Merger reserve £	Share premium £	Share based payment reserve £	Retained earnings £	Total equity £
Balance at 1 August 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
<b>Balance at 31 July 2008</b>	<b>6,861,434</b>	<b>–</b>	<b>65,000</b>	<b>–</b>	<b>1,364,127</b>	<b>8,290,561</b>
Loss for the period and total recognised income and expense for the period	–	–	–	–	<b>(83,523)</b>	<b>(83,523)</b>
Issue of ordinary shares	<b>686,143</b>	–	–	–	–	<b>686,143</b>
Share option charge	–	–	–	<b>30,076</b>	–	<b>30,076</b>
<b>Balance at 31 July 2009</b>	<b>7,547,577</b>	<b>–</b>	<b>65,000</b>	<b>30,076</b>	<b>1,280,604</b>	<b>8,923,257</b>

## Company statement of changes in shareholders' equity

For the year ended 31 July 2009

	Share capital £	(restated) Merger reserve £	Share premium £	Share based payment reserve £	Retained earnings £	Total equity £
Shares issued on incorporation	2	–	–	–	–	2
Loss for the period and total recognised income and expense for the period	–	–	–	–	(203,103)	(203,103)
Issue of equity on demerger	6,780,182	10,000,771	–	–	–	16,780,953
Issue of equity share capital	81,250	–	65,000	–	–	146,250
<b>Balance at 31 July 2008 as previously reported</b>	<b>6,861,434</b>	<b>10,000,771</b>	<b>65,000</b>	<b>–</b>	<b>(203,103)</b>	<b>16,724,102</b>
Prior year adjustment – investment value (note 19)	–	(7,642,955)	–	–	–	(7,642,955)
<b>Balance at 31 July 2008 as restated</b>	<b>6,861,434</b>	<b>2,357,816</b>	<b>65,000</b>	<b>–</b>	<b>(203,103)</b>	<b>9,081,147</b>
Loss for the period and total recognised income and expense for the period	–	–	–	–	<b>(334,598)</b>	<b>(334,598)</b>
Issue of equity share capital	<b>686,143</b>	–	–	–	–	<b>686,143</b>
Share option charge	–	–	–	<b>30,076</b>	–	<b>30,076</b>
<b>Balance at 31 July 2009</b>	<b>7,547,577</b>	<b>2,357,816</b>	<b>65,000</b>	<b>30,076</b>	<b>(537,701)</b>	<b>9,462,768</b>

# Notes forming part of the financial statements

For the year ended 31 July 2009

## 1. General information

Egdon Resources plc is a company incorporated and domiciled in England & Wales with registered number 06409716. The address of the registered office is Suite 2, 90-96 High Street, Odiham, Hampshire RG29 1LP. The Company's administrative office is at the same address.

Egdon Resources plc (the "Company") and its subsidiaries (together, the "Group") explore for and develop oil and gas reserves in onshore England and France.

The Company's shares are quoted on the Alternative Investment Market ("AIM") of the London Stock Exchange.

## 2. Accounting policies

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

### Basis of preparation and statement of compliance with IFRS

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. IFRS comprises the Standards issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that have been endorsed by the European Union (EU). The principal accounting policies adopted by the Group and by the Company where applicable are set out below.

As permitted by Section 408 of the Companies Act 2006, no income statement or associated notes are presented for the Company as an entity.

### Going concern

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.

The Group will only be able to continue its planned exploration and development programme if it has sufficient financial resources to do so. The directors recognise that should circumstances change then some planned exploration and development work will need to be deferred or delayed until such time as additional funding is obtained either through revenues from production, asset disposals (sales or farm outs), the negotiation of a debt facility and/or the issue of shares.

### Adoption of new and revised standards

In the current year, two Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 11 IFRS 2 – Group and Treasury Share Transactions and IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The adoption of these Interpretations had not led to any changes in the Group's accounting policies.

The Group has early adopted IAS 27 para 38 as amended by Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards and IAS 27 Consolidated and separate Financial Statements: Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate issued in May 2008. This paragraph allows the new Parent Company to measure the cost at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of reorganisation. This has been reflected as a prior period adjustment in the Company's balance sheet in respect of its purchase of the original Parent Company Egdon Resources U.K. Limited. See note 19 for further details.

At the date of authorisation of these financial statements, the following relevant new Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 1 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

IFRS 2 Share based payments (revised 2008)

IFRS 3 Business combinations (revised 2008)

IFRS 8 Operating segments

IAS 1 Presentation of financial statements (revised 2007)

IAS 23 Borrowing costs (revised 2007)

IAS 27 Consolidated and separate financial statements (revised 2008) (except para 38 adopted as noted above)

IAS 32 Financial Instruments: Presentation (revised 2008)

IFRIC 12 Service concession arrangements

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for:

- disclosure changes when IAS 23 (revised 2007) and IAS 1 (revised) comes into effect for periods commencing on or after 1 January 2009;
- treatment of acquisition of subsidiaries when IFRS 3 comes into effect for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009;
- IFRS 8 may affect note disclosures.



## 2. Accounting policies (continued)

### Basis of consolidation

The Group financial statements incorporate the financial statements of Egdon Resources plc (the "Company") and entities controlled by the Company prepared to 31 July each year. Control is achieved where the Company 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 did not result in the addition of any new businesses to the Group, and as such it fell outside of the scope of IFRS 3. Therefore, it was accounted for using merger accounting principles. As a result, although the Group reconstruction did not become effective until January 2008, the 2008 consolidated financial statements of Egdon Resources plc were presented as if Egdon Resources plc and its subsidiaries had always been part of the same Group. Accordingly, the financial information has been presented as if the subsidiaries had been owned by Egdon Resources plc throughout the current and comparative accounting periods.

### Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

### Revenue and other operating income

Revenue represents amounts receivable for oil sales, net of VAT and trade discounts, and is recognised on delivery to a storage facility.

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 revenues and costs applicable to the Group's interest.

### Intangible assets – exploration and evaluation assets

The Group accounts for oil and gas expenditure under the full cost method of accounting.

Costs (other than payments to acquire the legal right to explore) incurred prior to acquiring the rights to explore are charged directly to 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.

### Intangible assets – other

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

### 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.

Other intangibles are subject to an annual impairment test and elements that have no ongoing commercial value are written off to the consolidated income statement.

## Notes forming part of the financial statements (continued)

### 2. Accounting policies (continued)

#### Property, plant and equipment – development and production assets

Development and production (“D&P”) assets are accumulated into 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 residual value of site equipment and the estimated future costs of development of recognised proven and probable reserves, based on current price levels. Changes in reserve quantities and cost estimates are recognised prospectively.

#### 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 exceed 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 and reinstatement provisions

Licensees have an obligation to restore fields to a condition acceptable to the relevant authorities at the end of their commercial lives. Provision for decommissioning and reinstatement is recognised in full as a liability and an asset when the obligation arises. The asset is included within exploration and evaluation assets or property, plant and equipment as is appropriate. The liability is included within provisions. The amount recognised is the estimated cost of decommissioning, discounted where appropriate to its net present value, and is reassessed each year in accordance with local conditions and requirements. Revisions to the estimated costs of decommissioning and reinstatement which alter the level of the provisions required are also reflected in adjustments to the decommissioning and reinstatement asset. The increase in the net present value of the future cost arising from the unwinding of the discount is included within finance costs.

#### Foreign currencies

Transactions denominated in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Sterling at the rate of exchange ruling at the end of the financial year. All exchange differences are dealt with in the 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 provision amount 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.

## 2. Accounting policies (continued)

Interest bearing bank loans, overdrafts and other loans are recorded at fair value, net of direct issue costs, when the proceeds are received and subsequently at amortised cost. Finance costs are accounted for on an accruals basis in the income statement using the effective interest method.

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.

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## Notes forming part of the financial statements (continued)

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### 2. Accounting policies (continued)

#### Use of judgements and estimates when preparing the annual financial statements

Preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions affecting recognition and measurement in the consolidated balance sheet and income statement, as well as the disclosure of contingent assets and liabilities. Future events may lead to these estimates being changed. In particular, estimates are required when:

- Assessing the need for and measurement of impairment of oil and gas assets (tangible and intangible)
- Capitalisation of project costs
- Assessment of contingent consideration on acquisition
- Determining the fair value of share based payments
- Estimating decommissioning and reinstatement liabilities (note 26)
- Determining going concern

#### *Oil and gas assets*

Management is required to assess the oil and gas assets for indicators of impairment. Note 18 discloses the carrying value of tangible oil and gas assets. As part of this assessment, management has carried out an impairment test (ceiling test) on the tangible assets. This test compares the carrying value of the assets at the balance sheet date with the expected discounted cash flow from the project. For the discounted cash flows to be calculated, management has used a production profile based on its best estimate of proven and probable reserves of the asset and a range of assumptions, including oil/gas prices and a discount rate.

#### *Intangible assets*

The Group determines whether intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the asset and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

#### *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.

#### *Contingent consideration on acquisition*

The acquisition of YCI Resources Limited, now renamed Egdon Resources Avington Limited, included a Net Profit Interest agreement described in note 19. The assessment of the provision required in respect of this contingent consideration is dependent on assumptions relating to levels of production, drilling of additional wells and future oil price.

#### *Share based payments*

Determining the fair value of share based payments requires assumptions in respect of the inputs used in the option pricing model. Details can be found in note 9.

#### *Decommissioning and reinstatement*

The Group determines decommissioning and reinstatement liabilities by making assumptions, based on the current economic environment, which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to assumptions. However, the actual decommissioning and reinstatement cost will ultimately depend upon future market prices for the necessary works required which will reflect market conditions at the relevant time. Furthermore, actual costs will also reflect the extent of decommissioning and reinstatement work required to be performed, whether the works can be performed as part of a multi well programme or in isolation and progress in the relevant technologies.

#### *Going concern*

The preparation of the financial statements requires an assessment of the validity of the going concern assumption, this being dependent on the availability of adequate financial resources to allow the Group to continue in operational existence for the foreseeable future. The Directors have reviewed budgets, projected cash flows and other financial options, and based on this review are confident that the Group will have adequate 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 Group balance sheet.

### 3. Segmental information

The primary segment reporting format is determined to be geographical segments as the Group's risks and rates of return are affected predominantly by the economic and market conditions present in each of the geographical areas in which the Group operates. The Group's geographical segments are based on the location of the Group's assets. The Group's head office is in the United Kingdom with operations located in the United Kingdom and France, and licence applications made elsewhere in Europe. During the period the operations of the Group comprise one class of business, being oil and gas exploration, development and production so consequently there are no secondary segments. During 2008, prior to the demerger of Portland Gas plc, the Group was also involved in the development of gas storage facilities.

The turnover of the Group for the period has been derived from the sale of oil which has been extracted from wells in the UK during production and production testing operations.

2009

	UK £	France £	Rest of Europe £	Total £
<b>Turnover by segment:</b>				
Oil sales	880,127	–	–	880,127
<b>Cost of sales by segment:</b>				
Exploration costs written off and pre-licence costs	116,190	158	35,272	151,620
Depreciation	233,472	–	–	233,472
Other	445,423	–	–	445,423
	<b>795,085</b>	<b>158</b>	<b>35,272</b>	<b>830,515</b>
<b>Loss on ordinary activities by segment:</b>				
(Loss)/profit from oil and gas exploration (continuing activities)	(54,429)	1,592	(40,114)	(92,951)
Financial revenue	29,337	886	3	30,226
Financial costs	(20,798)	–	–	(20,798)
<b>(Loss)/profit for the year after interest and tax</b>	<b>(45,890)</b>	<b>2,478</b>	<b>(40,111)</b>	<b>(83,523)</b>
	UK £	France £	Rest of Europe £	Total £
<b>Assets by segment:</b>				
Oil and gas exploration	7,472,049	1,155,249	227	8,627,525
<b>Liabilities by segment:</b>				
Oil and gas exploration	(990,127)	(69,241)	(2,043)	(1,061,411)
Net assets excluding interest bearing assets – oil and gas exploration	6,481,922	1,086,008	(1,816)	7,566,114
Interest bearing assets – oil and gas exploration	1,338,137	14,975	1,923	1,355,035
Interest bearing assets – unallocated corporate assets	2,108	–	–	2,108
<b>Net assets including interest bearing assets</b>	<b>7,822,167</b>	<b>1,100,983</b>	<b>107</b>	<b>8,923,257</b>
<b>Capital expenditure on segmental assets:</b>				
Oil and gas exploration	1,011,172	35,772	–	1,046,944

## Notes forming part of the financial statements (continued)

### 3. Segmental information (continued)

2008

	UK £	France £	Rest of Europe £	Total £
<b>Turnover by segment:</b>				
Oil sales	1,121,624	–	–	1,121,624
<b>Cost of sales by segment:</b>				
Exploration costs written off and pre-licence costs	1,388,594	52,666	–	1,441,260
Depreciation	158,621	–	–	158,621
Other	944,615	–	–	944,615
	2,491,830	52,666	–	2,544,496
<b>Loss on ordinary activities by segment:</b>				
Loss from oil and gas exploration (continuing activities)	(2,399,639)	(120,733)	(1,041)	(2,521,413)
UK – gas storage (discontinued operations)	(927,000)	–	–	(927,000)
(Loss) for the year	(3,326,639)	(120,733)	(1,041)	(3,448,413)
Financial revenue	280,405	10,058	13	290,476
Financial costs	(16,325)	–	–	(16,325)
<b>(Loss) for the year after interest and tax</b>	<b>(3,062,559)</b>	<b>(110,675)</b>	<b>(1,028)</b>	<b>(3,174,262)</b>

	UK £	France £	Rest of Europe £	Total £
<b>Assets by segment:</b>				
Oil and gas exploration	5,506,238	1,131,826	3,530	6,641,594
<b>Liabilities by segment:</b>				
Oil and gas exploration	(493,310)	(74,774)	(7)	(568,091)
Net assets excluding interest bearing assets – oil and gas exploration	5,012,928	1,057,052	3,523	6,073,503
Interest bearing assets – oil and gas exploration	2,202,507	11,403	417	2,214,327
Interest bearing assets – unallocated corporate assets	2,731	–	–	2,731
<b>Net assets including interest bearing assets</b>	<b>7,218,166</b>	<b>1,068,455</b>	<b>3,940</b>	<b>8,290,561</b>
<b>Capital expenditure on segmental assets:</b>				
Oil and gas exploration	1,713,465	864,583	3,430	2,581,478
Gas storage	2,234,384	–	–	2,234,384

### 4. Other expenditure

	2009 £	2008 £
Auditors' remuneration (see note 6 below)	<b>51,150</b>	131,285
Depreciation and other amounts written off tangible assets	<b>241,869</b>	165,535
Exploration and pre-licence costs written off	<b>151,620</b>	1,441,260
Foreign exchange differences	<b>(105,648)</b>	(42,889)
Operating lease rentals – land and buildings	<b>15,000</b>	71,430
Demerger costs	<b>–</b>	453,389

Demerger costs in 2008 relate to professional fees incurred to implement the demerger of the Portland Gas Group from Egdon Resources plc.

## 5. Exceptional item – profit on disposal of fixed assets

During the period the Group sold 10% interest in PEDL005(Remainder) containing the Keddington oil field to Alba Resources Limited for cash consideration of £260,000. At the date of sale, 10% of the net book value of this asset amounted to £40,337, giving rise to a profit of £219,663. Subsequently, an additional amount received in respect of Keddington plant increased the total profit on disposal to £221,300.

## 6. Auditors' remuneration

	2009 £	2008 £
Audit services:		
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	<b>14,000</b>	18,000
Other services:		
The auditing of financial statements of subsidiaries of the Company pursuant to legislation	<b>20,000</b>	20,000
Other services relating to taxation	<b>8,400</b>	40,255
All other services	<b>8,750</b>	53,030
Total audit and other services	<b>51,150</b>	131,285

## 7. Employee information

	2009 Number	2008 Number
The average number of persons employed by the Group in the year, including Executive and Non-Executive directors, was:		
Management and administration	<b>11</b>	12

	2009 £	2008 £
Employee costs during the year amounted to:		
Wages, salaries and benefits	<b>386,670</b>	613,574
Social security costs	<b>42,298</b>	87,707
Share based remuneration charges	<b>30,076</b>	–
Pension costs	<b>9,549</b>	2,877
	<b>468,593</b>	704,158

## 8. Remuneration of Directors and key management

<b>Group</b>	2009 £	2008 £
Directors' emoluments	<b>242,358</b>	536,185
Share based remuneration charge attributable to Directors	<b>11,426</b>	–
Directors' emoluments	<b>253,784</b>	536,185

## Notes forming part of the financial statements (continued)

### 8. Remuneration of Directors and key management (continued)

The emoluments of individual Directors were as follows:

	Salary and fees £	Bonus £	Medical £	Insurance benefits £	Pension £	Total 2009 £	Total 2008 £
M A W Abbott	120,000	–	1,745	2,214	6,000	129,959	225,313
A D Hindle	15,000	–	–	2,147	–	17,147	88,847
P H P Stephens	37,500	–	–	1,313	–	38,813	68,063
K M Ratcliff	22,500	–	–	1,313	–	23,813	55,436
J G R Rix	15,000	–	–	1,313	–	16,313	28,013
W R Roberts	15,000	–	–	1,313	–	16,313	70,513
	225,000	–	1,745	9,613	6,000	242,358	536,185

Life policy and critical illness premiums of £1,735 (2008: £4,492) were paid in respect of the Executive Director and Directors' indemnity insurance premiums of £7,878 (2008: £6,372) were paid in respect of all Directors.

The remuneration of the Group's key management was £282,584 (2008: £603,330) made up as £236,358 (2008: £534,185) in respect of salaries, bonuses and short term benefits, £11,426 (2008: £nil) in respect of share based remuneration charges, £28,800 (2008: £67,145) in respect of employers national insurance contributions and £6,000 (2008: £2,000) in respect of pension contributions. There are no post employment benefits, other long term benefits or termination benefits.

#### Company

The remuneration of the Company's key management was £282,584 (2008: £337,711) made up as £236,358 (2008: £298,389) in respect of salaries, bonuses and short term benefits, £11,426 (2008: £nil) in respect of share based remuneration charges, £28,800 (2008: £37,322) in respect of employers national insurance contributions and £6,000 (2008: £2,000) in respect of pension contributions. There are no post employment benefits, other long term benefits or termination benefits.

M A W Abbott participated in the Company's pension scheme (see note 10) and the Company made payments of £6,000 during the period in respect of pension contributions. The Company does not currently provide pension arrangements or benefits other than as described above.

#### Directors' share options outstanding at 31 July 2009

	Exercise price	Number of options	Date granted	First date of exercise
M A W Abbott	16.17p	618,429	12/05/2008	01/08/2010

No Director is entitled to receive any shares under the terms of any long term incentive scheme in respect of qualifying services other than as noted above. No options were granted in the year to 31 July 2009.

### 9. Share based payment plans

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

Options have been granted over a total of 1,631,908 ordinary shares at an exercise price of 16.17p (being the average middle-market closing price on the three trading days preceding the grant). The options are exercisable on or after 1 August 2010. The options will vest if the grantees are in service at the 1 August 2010. The options do not have a cash settlement alternative. The charge to income in respect of these options is £30,076 (2008: £nil). An amount equivalent to the charge to income is credited to reserves and appears in the Group and Company balance sheets described as "share based payment reserve".

No charge to income was made in 2008 as the charge was insignificant and as such was not recognised.

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

	13 May 2008
Dividend yield	–
Expected share price volatility (%)	35
Risk-free interest rate (%)	5.5
Expected life of option (years)	2

Due to the short post-demerger trading history, the expected volatility is based on the assumption that the historical volatility of a sample of oil and gas companies is indicative of future trends for Egdon Resources plc, which may not necessarily be the actual outcome.

No further options have been issued since 13 May 2008 and none of the options have been exercised, or have lapsed. The weighted average exercise price at the start and end of the year is therefore 16.17p



### 10. Defined contribution pension plan

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

The total cost in the year of £9,549 (2008: £2,877) represents the sum payable to the scheme by the Group at rates agreed in respect of participating employees.

### 11. Financial revenue

	2009 £	2008 £
Interest receivable on short term deposits	30,226	290,476
Interest receivable by discontinued operations	–	(129,000)
	<b>30,226</b>	161,476

### 12. Finance costs

	2009 £	2008 £
Unwinding of decommissioning discount	20,798	16,325

### 13. Income tax

The major components of income tax expense for the years ended 31 July 2009 and 2008 are:

	2009 £	2008 £
<b>a) Consolidated income statement</b>		
Current income tax charge	–	–
Adjustments in respect of current income tax of previous years	–	–
<b>b) A reconciliation between tax expense and the product of accounting loss for the years ended 31 July 2009 and 2008 is as follows:</b>		
Accounting loss before tax from continuing operations	(83,523)	(2,376,262)
Loss on ordinary activities multiplied by the standard rate of tax of 28% (2008: 28%)	(23,386)	(665,306)
Expenses not permitted for tax purposes	15,053	126,400
Deductions for tax not included in income statement	–	–
Movements in unrecognised deferred tax assets	8,333	532,998
Group relief	–	5,908
Income tax expense reported in the income statement	–	–

### c) Factors that may affect the future tax charge:

The Group has trading losses of £16,027,863 (2008: £13,673,772) which may reduce future tax charges. Future tax charges may also be reduced by capital allowances on cumulative capital expenditure, supplementary allowance on ring-fenced exploration expenditure and the extent to which any profits are 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 £2,197,991 (2008: £3,540,748) at year end.

### 14. Discontinued operations

	2009 £	2008 £
Administrative expenses	–	(927,000)
Investment revenues	–	129,000
Tax charge	–	–
Loss for the period	–	(798,000)
Included within the cash flow are the following amounts in relation to discontinued operations:		
Interest received	–	129,000
Payments to acquire intangible assets	–	(2,175,794)
Purchase of equipment	–	(58,590)
	–	(2,105,384)

The discontinued operations related to the Portland Gas Group – see note 27.

## Notes forming part of the financial statements (continued)

### 15. Loss per share

	2009 £	2008 £
Net loss for the financial year	<b>(83,523)</b>	(3,174,262)
Net loss for the financial year (continuing operations)	<b>(83,523)</b>	(2,376,262)
Net loss for the financial year (discontinued operations)	–	(798,000)
Basic weighted average ordinary shares in issue during the year	<b>71,283,718</b>	67,582,585
	<b>Pence</b>	Pence
Basic loss per share	<b>(0.12)</b>	(4.70)
Basic loss per share (continuing operations)	<b>(0.12)</b>	(3.52)
Basic loss per share (discontinued operations)	–	(1.18)

The basic loss per share has been calculated on the loss on ordinary activities after taxation of £83,523 (2008: £3,174,262) divided by the weighted average number of ordinary shares in issue of 71,283,718 (2008: 67,582,585) during the period. The 2008 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.

### 16. Losses attributable to Egdon Resources plc

The loss for the financial year dealt with in the financial statements of Egdon Resources plc was £334,598 (2008: £203,103). As permitted by Section 408 of the Companies Act 2006, no income statement is presented in respect of Egdon Resources plc.

### 17. Intangible fixed assets

Group	Goodwill £	Exploration and evaluation costs £	Other intangibles £	Total £
At 1 August 2007	2,856	5,574,288	9,049,439	14,626,583
Additions	–	2,581,478	2,556,248	5,137,726
Reclassifications to D&P assets	–	(786,556)	–	(786,556)
Gross margin on oil sales from well testing	–	(525,991)	–	(525,991)
Disposals	–	–	(11,605,687)	(11,605,687)
<b>At 1 August 2008</b>	<b>2,856</b>	<b>6,843,219</b>	<b>–</b>	<b>6,846,075</b>
Additions	–	<b>1,281,664</b>	<b>131</b>	<b>1,281,795</b>
Arising on acquisition*	–	<b>885,976</b>	–	<b>885,976</b>
Reclassifications to D&P assets	–	<b>(1,836,249)</b>	–	<b>(1,836,249)</b>
Gross margin on oil sales from well testing	–	<b>(8,150)</b>	–	<b>(8,150)</b>
Transfer	–	<b>(11,109)</b>	<b>11,109</b>	–
Disposals	–	<b>(1,469,183)</b>	–	<b>(1,469,183)</b>
<b>At 31 July 2009</b>	<b>2,856</b>	<b>5,686,168</b>	<b>11,240</b>	<b>5,700,264</b>
<b>Amortisation</b>				
At 1 August 2007	2,856	–	–	2,856
Exploration written off	–	1,371,553	–	1,371,553
<b>At 1 August 2008</b>	<b>2,856</b>	<b>1,371,553</b>	<b>–</b>	<b>1,374,409</b>
Disposals	–	<b>(1,469,183)</b>	–	<b>(1,469,183)</b>
Exploration written off	–	<b>97,630</b>	–	<b>97,630</b>
<b>At 31 July 2009</b>	<b>2,856</b>	<b>–</b>	<b>–</b>	<b>2,856</b>
<b>Net book value</b>				
<b>At 31 July 2009</b>	<b>–</b>	<b>5,686,168</b>	<b>11,240</b>	<b>5,697,408</b>
At 31 July 2008	–	5,471,666	–	5,471,666

\* Additions include assets acquired as a result of the purchase of Egdon Resources Avington Limited (Previously known as YCI Resources Limited).

Goodwill relates to the acquisition of shares in Egdon Resources (New Ventures) Ltd. Additions to exploration and evaluation costs represent exploration and appraisal costs incurred in the year in respect of unproven properties.

After 1 August 2008, other intangibles represents the costs of purchased data and other geological standards which are used to assist with formulating strategy for licence applications and asset purchases. The costs are subject to an annual impairment test, and elements are written off if they have no future commercial value.

## 17. Intangible fixed assets (continued)

The Group's unevaluated oil and gas interests at 31 July 2009 are its equity interests in licences in onshore UK and France held through its wholly owned subsidiaries Egdon Resources U.K. Limited and Egdon Resources Avington Limited, and through sub-subsidiaries Egdon Resources (New Ventures) Ltd and Egdon Resources Europe Limited.

A formal impairment review has been carried out and the Directors have considered and reviewed the potential value of all projects and licences. The Directors have also considered the likely opportunities for realising the value of licences, either by development of discovered hydrocarbons, the farm-out of the asset leading to a development or by the disposal of the assets, and have concluded that the likely value of the expenditure on each exploration area is individually in excess of its carrying amount. On the basis of this impairment review, the amount described as exploration written off, which relates to dry wells and relinquished licences has been charged to the consolidated income statement.

## 18. Property, plant and equipment

Group	Development and production assets £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost</b>				
At 1 August 2007	141,389	4,686	45,017	191,092
Additions	4,287	–	62,464	66,751
Disposals	–	–	(59,460)	(59,460)
Reclassifications from intangibles	786,556	–	–	786,556
<b>At 1 August 2008</b>	932,232	4,686	48,021	984,939
Additions	<b>148,662</b>	–	<b>2,167</b>	<b>150,829</b>
Disposals	<b>(68,392)</b>	–	–	<b>(68,392)</b>
Reclassifications from intangibles	<b>1,836,249</b>	–	–	<b>1,836,249</b>
At 31 July 2009	<b>2,848,751</b>	<b>4,686</b>	<b>50,188</b>	<b>2,903,625</b>
<b>Depreciation</b>				
At 1 August 2007	11,999	4,686	27,103	43,788
Charge for the year	158,621	–	7,357	165,978
Disposals	–	–	(443)	(443)
<b>At 1 August 2008</b>	170,620	4,686	34,017	209,323
Charge for the year	<b>233,472</b>	–	<b>8,397</b>	<b>241,869</b>
Disposals	<b>(28,055)</b>	–	–	<b>(28,055)</b>
<b>At 31 July 2009</b>	<b>376,037</b>	<b>4,686</b>	<b>42,414</b>	<b>423,137</b>
<b>Net book value</b>				
<b>At 31 July 2009</b>	<b>2,472,714</b>	–	<b>7,774</b>	<b>2,480,488</b>
At 31 July 2008	761,612	–	14,004	775,616
<b>Company</b>			Computer equipment £	
<b>Cost</b>				
On incorporation				–
Additions				665
<b>At 1 August 2008</b>				665
Additions				<b>2,167</b>
<b>At 31 July 2009</b>				<b>2,832</b>
<b>Depreciation</b>				
On incorporation				–
Charge for the year				74
<b>At 1 August 2008</b>				74
Charge for the year				<b>566</b>
<b>At 31 July 2009</b>				<b>640</b>
<b>Net book value</b>				
<b>At 31 July 2009</b>				<b>2,192</b>
At 31 July 2008				591

## Notes forming part of the financial statements (continued)

### 19. Investments in subsidiaries

	Shares in subsidiary undertakings £
Additions in year to 31 July 2008, prior to restatement	31,770,114
Disposals	(14,989,159)
<b>Balance at 31 July 2008 as previously stated</b>	<b>16,780,955</b>
Prior period adjustment	(7,642,955)
<b>Balance at 31 July 2008 as restated</b>	<b>9,138,000</b>
Additions in year	826,782
<b>Balance at 31 July 2009</b>	<b>9,964,782</b>

The balance represents the investment in Egdon Resources U.K. Limited and Egdon Resources Avington Limited.

The prior period adjustment is in respect of the Group reorganisation carried out in the year to 31 July 2008. This prior period adjustment follows the principles in IAS 27 paragraph 38 as amended by Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate issued in May 2008. This paragraph allows a new Parent Company to measure the cost at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of reorganisation. This change in accounting policy has been accounted for retrospectively, and the comparative statements for 2008 have been restated. The effect of the change in 2008 is to reduce investments in the Company balance sheet by £7,642,955 with a matching reduction to the merger reserve.

#### Holdings of more than 20%

As at the year end the Company directly and indirectly held more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class of shares held	% of shares held
Egdon Resources U.K. Limited	England	Ordinary	100
Egdon Resources (New Ventures) Ltd	England	Ordinary	100
Egdon Resources Europe Limited	England	Ordinary	100
Egdon Resources Avington Limited	England	Ordinary	100

Egdon Resources U.K. Limited, Egdon Resources (New Ventures) Ltd, Egdon Resources Europe Limited, and Egdon Resources Avington Limited are involved in oil and gas exploration and production.

#### Acquisition in the year

On 12 March 2009, the Group acquired the entire share capital of Egdon Resources Avington Limited (previously known as YCI Resources Limited). The fair values of the assets and liabilities acquired are listed below:

	Book value £	Fair value adjustment £	Provisional fair value £
Intangible assets	885,976	–	885,976
Trade and other receivables	1,611	–	1,611
Cash and cash equivalents	17,679	–	17,679
Trade and other payables	(15,656)	–	(15,656)
Total net assets acquired	889,610	–	889,610
Excess of net assets acquired over cost ("negative goodwill")	–	–	(62,828)
<b>Purchase consideration and cost to purchase</b>	<b>–</b>	<b>–</b>	<b>826,782</b>
Satisfied by:			
Ordinary £0.10 shares of Egdon Resources plc	–	–	686,143
Non-cash consideration – Net Profit Interest provision	–	–	100,649
Acquisition expenses	–	–	39,990
<b>Total</b>	<b>–</b>	<b>–</b>	<b>826,782</b>
Cash consideration paid	–	–	39,990
Cash and cash equivalents acquired	–	–	(17,679)
<b>Net cash outflow arising on acquisition</b>	<b>–</b>	<b>–</b>	<b>22,311</b>

Negative goodwill arising on acquisition of subsidiary represents the excess of the fair values of the assets less the liabilities acquired following the acquisition of the 100% interest in Egdon Resources Avington Limited.

The fair value of assets acquired is provisional as the amount attributed to the interest in the Avington oil field will be subject to further review at 31 January 2010.

### 19. Investments in subsidiaries (continued)

The major part of the consideration for the acquisition was the issue of 6,861,434 ordinary shares in Egdon Resources plc. The nominal value of each share is 10p which management consider is equivalent to fair value. This has been used to determine the value of £686,143 ascribed to share issue in the table above.

The purchase arrangements also included a Net Profit Interest on current and future production from the Avington oil field. Payments under this agreement, which are related to oil price, will range between 5% and 10% of Egdon's net revenues realised from the licences after subtracting allowable costs. The Net Profit Interest provision represents the capitalised value of anticipated payments to be made under this arrangement, discounted at 8%.

Egdon Resources Avington Limited recorded revenues of £151,800 and a profit of £18,251 in the seven month period to 31 July 2009. These results reflect the commencement of production at the Avington oil field; prior to 31 December 2008, the company had recorded losses.

### 20. Inventory

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Oil stock	12,127	—	—	—

### 21. Trade and other receivables

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Amounts falling due within one year:				
Trade receivables	286,099	159,548	—	—
Amounts owed by subsidiaries	—	—	70,595	83,512
VAT recoverable	63,637	138,468	6,114	—
Other receivables	13,319	2,173	—	—
Prepayments	74,447	94,123	33,961	35,866
	437,502	394,312	110,670	119,378

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

### 22. Available for sale financial assets

	Group 2009 £	Group 2008 £
<b>At 1 August 2008</b>	50,000	—
Additions	—	50,000
<b>Fair value at 31 July 2009</b>	50,000	50,000

The investment in securities above represents an investment in Portland Gas plc redeemable preference shares. The fair value of these securities is based on estimates after consideration of market returns on comparable assets.

### 23. Cash and cash equivalents

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Short term bank deposits	989,256	1,921,027	—	—
Restricted cash at bank	295,259	200,000	—	—
Cash at bank	22,628	46,031	2,108	2,731
	1,307,143	2,167,058	2,108	2,731

The Directors consider that the carrying amount of these assets approximates to their fair value. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Restricted cash at bank represents funds held in escrow accounts under arrangements relating to decommissioning and similar obligations at Keddington and Burton Agnes.

## Notes forming part of the financial statements (continued)

### 24. Trade and other payables

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Trade payables	204,485	139,091	1,431	21,961
Amounts due to subsidiaries	–	–	502,946	147,411
Other taxes and social security costs	–	–	–	–
Accruals and deferred income	106,593	179,455	18,300	10,181
	<b>311,078</b>	318,546	<b>522,677</b>	179,553

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

### 25. Financial assets and liabilities

The Group's objective is to minimise financial risk and the policies to achieve this are to fund operations from equity capital and not to make use of derivatives or complex financial instruments. The Group's ordinary shares are considered to be equity capital, together with share premium, share based payment reserve and retained earnings. There have been no changes in this policy in the year under review. The Group is not subject to any externally imposed capital requirements.

The Group's financial instruments comprise cash and cash equivalents, trade payables, accruals, trade receivables, other receivables and available for sale assets which arise directly from its operations. The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk, foreign currency exchange risk and market risk. Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the Company's finance department.

#### Credit risk

The credit risk on liquid funds is limited because the Group policy is to only deal with counterparties with high credit ratings and more than one institution is utilised to deposit cash holdings. At year end the Group had cash and cash equivalents of £1,307,143 (2008: £2,167,058) and the Company £2,108 (2008: £2,731). The balances at 31 July 2009 are held with two banks. Trade receivables largely comprise amounts due from trading entities and total £286,099 (2008: £159,548) for the Group and £nil (2008: £nil) for the Company (note 21). Trade receivables are almost exclusively due from joint venture partners, where the Group would have alternative means of recourse in the event of any credit default. At the year end, the total exposure to credit risk was £1,656,561 (2008: £2,378,779); Company £2,108 (2008: £2,731).

#### Liquidity risk

The Group policy is to actively maintain a mixture of long term and short term deposits that are designed to ensure it has sufficient available funds for operations. The Group monitors its levels of working capital to ensure it can meet financial liabilities as they fall due. The Group's financial liabilities comprise trade and other payables as set out in note 24, held at amortised cost, which total £311,078 (2008: £318,546) and are all due within 1–2 months. Additionally the Group has a liability under a Net Profit Interest agreement where £33,533 is estimated to be due within 12 months.

#### Interest rate risk

The Group has interest bearing assets, comprising cash balances which earn interest at variable rates. The financial assets of the Group are cash at bank and fixed term bank deposits (money market) most of which are Sterling denominated, further detailed below:

	2009 £	2008 £
Cash at bank at floating interest rates	989,256	1,921,027
Restricted cash at bank	295,259	200,000
Cash at bank	<b>22,628</b>	46,031

Cash at bank at floating 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.

An effective interest rate increase or decrease by 1% on the cash and cash equivalents balance at year end would result in a before tax financial effect of an increase or decrease in investment revenues of £13,071.

## 25. Financial assets and liabilities (continued)

### Foreign currency exchange risk

The Group is exposed to foreign currency exchange rate risk in relation to short term bank deposits, trade receivables and payables denominated in US dollars and Euros. The value of the Group's financial assets denominated in foreign currencies at 31 July 2009 was £337,434 (2008: £552,764); Company £nil (2008: £nil). A 10% change in the Sterling exchange rate would result in a before tax financial effect of an increase or decrease of £33,743.

### Market risk

As detailed in note 19, the payments to the former shareholder of Egdon Resources Avington Limited under the Net Profit Interest ("NPI") agreement vary in line with oil price. If oil price is below \$100 per barrel, NPI payments are based on 5% of Egdon's net revenues realised from the licences after subtracting allowable costs. If the oil price exceeds \$130 per barrel the NPI payment percentage increases to 10%. If the oil price is between \$100 and \$130, the NPI payment percentage is 7.5%. The provision at 31 July 2009 assumes that oil price will continue to be less than \$100 per barrel. If this level were to be exceeded, the liability would rise, but any increase would be exceeded by the corresponding increase in revenue from oil sales.

## 26. Provision for liabilities

	Other provisions £	Decommissioning provision £	Reinstatement provision £	Total £
<b>Group</b>				
At 1 August 2007	–	246,591	–	246,591
Provision released during the year	–	(13,371)	–	(13,371)
Unwinding of discount	–	16,325	–	16,325
<b>At 1 August 2008</b>	–	249,545	–	249,545
Provision made during the year	<b>100,649</b>	<b>(36,837)</b>	<b>422,520</b>	<b>486,332</b>
Paid during the year	<b>(6,342)</b>	–	–	<b>(6,342)</b>
Unwinding of discount	–	<b>20,798</b>	–	<b>20,798</b>
<b>At 31 July 2009</b>	<b>94,307</b>	<b>233,506</b>	<b>422,520</b>	<b>750,333</b>
<b>Company</b>				
At 1 August 2008	–	–	–	–
Provision made during the year	<b>100,649</b>	–	–	<b>100,649</b>
Paid during the year	<b>(6,342)</b>	–	–	<b>(6,342)</b>
Unwinding of discount	–	–	–	–
<b>At 31 July 2009</b>	<b>94,307</b>	–	–	<b>94,307</b>

At 31 July 2009 provision has been made for decommissioning costs on the productive fields at Keddington and Avington. 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. Decommissioning and reinstatement costs will arise between 2011 and 2021, and 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.

Other provisions represents the amount expected to be payable to the former shareholder of Egdon Resources Avington Limited under the Net Profit Interest agreement entered into at the time of acquisition (see note 19). Of the total provision, £33,533 is estimated to be payable within one year.

## Notes forming part of the financial statements (continued)

### 27. Share capital and redeemable preference shares

	Authorised		Allotted, called up and fully paid	
	Number	£	Number	£
<b>Ordinary share capital</b>				
At 31 July 2007				
– Ordinary shares of £0.01 each	100,000,000	1,000,000	65,465,764	654,657
– Issue of new £0.01 ordinary shares	–	–	2,336,076	23,360
– Cancellation of ordinary shares of £0.01 each	(100,000,000)	(1,000,000)	(67,801,840)	(678,017)
– Authorised share capital of Egdon Resources plc at demerger	88,461,538	8,846,154	–	–
– Issue of ordinary shares of £2.60 each to shareholders of Egdon Resources plc (now renamed Egdon Resources U.K. Limited)	–	–	67,801,840	176,284,784
– Reduction in share capital by a reduction in the nominal value of shares from £2.60 to £0.10	–	–	–	(169,504,600)
– Issue of new £0.10 ordinary shares	–	–	812,500	81,250
<b>At 31 July 2008</b>				
– Ordinary shares of £0.10 each	88,461,538	8,846,154	68,614,340	6,861,434
– Issue of new £0.10 ordinary shares	–	–	6,861,434	686,143
<b>At 31 July 2009</b>				
– Ordinary shares of £0.10 each	<b>88,461,538</b>	<b>8,846,154</b>	<b>75,475,774</b>	<b>7,547,577</b>
<b>Redeemable preference shares of £1 each (classified as liabilities)</b>				
Creation and issue of £1 redeemable preference shares	50,000	50,000	50,000	12,500
<b>At 31 July 2008</b>				
– Redeemable preference shares of £1 each	50,000	50,000	50,000	12,500
<b>At 31 July 2009</b>				
– Redeemable preference shares of £1 each	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>12,500</b>

The share capital presented above at 1 August 2006 and 31 July 2007 is that of Egdon Resources plc the ultimate Parent Company of the Egdon Resources Group at that time as described below.

#### 2007 – Share capital of Egdon Resources plc (now renamed Egdon Resources U.K. Limited)

On 28 September 2007 the former holding Company of the Egdon Group placed 2,325,582 new 1p ordinary shares with a nominal value of £23,256 for a gross cash consideration of £5,000,000. Following the placing, 67,791,346 ordinary shares were in issue.

On 23 October 2007 10,494 1p ordinary shares with a nominal value of £105 and an aggregate market value of £25,000 were issued to Stag Energy Limited in part consideration for the acquisition of their entire interest in licences PEDL094, PEDL118, PEDL130 and PEDL132. Following the placing, 67,801,840 ordinary shares were in issue.

#### 2008 – Share capital of Egdon Resources plc (formerly New Egdon PLC)

During the period covered by the 2008 financial statements a restructuring was undertaken to effect a demerger of the gas storage business, Portland Gas plc which became effective on 16 January 2008.

For the purposes of the demerger, it was necessary for the Egdon Group to be held by a new holding Company, New Egdon PLC ("the Company" or "New Egdon"). New Egdon became the ultimate holding Company of the Egdon Group pursuant to a Scheme of Arrangement under Section 425 of the Companies Act 1985.

Egdon Resources plc was incorporated as New Egdon PLC on 25 October 2007 with an authorised share capital of 5,000,000 ordinary shares of 1p each. On 6 November 2007 the authorised share capital was increased to £230,000,000 by increase in authorised shares to 23,000,000,000 shares of 1p each. On the same day the shares were consolidated into ordinary shares of £2.30 each resulting in a reduction in the authorised number of shares to 100,000,000. On 14 January 2008 the £2.30 shares were subdivided into 1p ordinary shares and then consolidated into £2.60 ordinary shares such that the number of authorised shares reduced from 100,000,000 to 88,461,538. Upon the reduction in capital becoming effective the issued and unissued shares reduced from £2.60 to £0.10 in nominal value resulting in an authorised share capital of £8,846,153.80.

On the 6 November 2007 50,000 redeemable preference shares of £1 each were issued and are held by Portland Gas NV Limited. 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 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.



## 27. Share capital and redeemable preference shares (continued)

Under the Scheme of Arrangement, Egdon shareholders on the register exchanged their existing shares for shares in the Company on the basis of one New Egdon share for each Egdon share. As a result the Company became the ultimate holding Company of the Egdon Group and all of its shares were owned by former Egdon shareholders. This resulted in an effective reduction of £15,768,296 to the share premium account of the Company and elimination of the investment in demerged activities. In the Group accounts the merger reserve was eliminated subsequent to the Court Order.

Following the Scheme of Arrangement becoming effective, the subsidiaries of Egdon Resources Plc, which owned directly or indirectly the gas storage business, were demerged pursuant to a reduction of capital of the Company as follows:

- the capital of New Egdon was reduced by reducing the nominal value of each New Egdon share by an amount determined by the Directors;
- New Egdon transferred the whole of the issued share capital of Portland Gas to New Portland such that it came to own the Gas Storage Business; and
- The New Egdon shareholders at the Demerger Record Time were allotted and issued one New Portland share, credited as fully paid, for each New Egdon share then held resulting in 67,801,838 ordinary shares of 10p being allotted on the 16 January 2008.

The market value of the shares at the date of issue was 24.75p per share.

Former Egdon Shareholders thus came to hold one New Egdon share and one New Portland share for every one Egdon share formerly held by them.

Portland Gas A Limited was distributed by means of the scheme of arrangement. The book value of the assets and liabilities distributed was £14,579,402.

New Egdon PLC was renamed Egdon Resources plc and Egdon Resources Plc, the previous holding Company, was renamed Egdon Resources U.K. Limited.

Prior to demerger on 16 January 2008, 67,801,840 ordinary 10p shares in Egdon Resources plc were issued on the basis of one new 10p ordinary share to each shareholder who held one share in the former holding Company of the Egdon Group. The market value of the shares issued was 24.75p per share.

On 24 May 2008 a total of 812,500 10p ordinary shares were issued to Directors at a price of 18p per share (being the market value at the date of issue) in lieu of cash bonuses. Following this 68,614,340 10p ordinary shares were in issue.

On 13 March 2009 a total of 6,861,434 10p ordinary shares were issued to Heyco International, S.L. in part consideration of the acquisition of YCI Resources Limited (see note 19). Following this 75,475,774 10p ordinary shares were in issue.

## 28. Share premium reserve

During the year ended 31 July 2008, 812,500 ordinary shares of 10p were issued to Directors for £146,250 creating a share premium reserve of £65,000.

## 29. Merger reserve

### Company

The merger reserve arose on the demerger of the Egdon Resources Group of companies from Portland Gas plc and represented the difference between the market value of the shares issued on the date of the demerger at the closing rate of trading and nominal value of the shares so issued. The merger reserve has been adjusted to take account of IAS 27 para 38, which allows a prior period adjustment in respect of the demerger of Egdon Resources, to state the investment cost following the demerger as the equity value of the previous parent company at the time of the demerger.

The reserve is not distributable.

### Group

The merger reserve was eliminated on demerger effected by a Court Order.

## 30. Movements in cash and cash equivalents

Group	As at 31 July 2008 £	Cash flow £	As at 31 July 2009 £
Cash at bank and in hand	46,031	(23,403)	<b>22,628</b>
Term deposits	1,921,027	(931,771)	<b>989,256</b>
Restricted cash at bank	200,000	95,259	<b>295,259</b>
Cash and cash equivalents	2,167,058	(859,915)	<b>1,307,143</b>

## Notes forming part of the financial statements (continued)

### 30. Movements in cash and cash equivalents (continued)

Company	As at 31 July 2008 £	Cash flow £	As at 31 July 2009 £
Cash at bank and in hand	2,731	(623)	<b>2,108</b>
Term deposits	–	–	–
Cash and cash equivalents	2,731	(623)	<b>2,108</b>

### 31. Operating lease commitments

At 31 July 2009 the Group had commitments under non-cancellable operating leases as follows:

#### Land and buildings

	2009 £	2008 £
Payable within 1 year	<b>61,234</b>	31,881
Payable within 2–5 years	–	–
Payable in more than 5 years	–	–
	<b>61,234</b>	31,881

### 32. Capital commitments – tangible assets

Capital commitments of £185,110 (2008: £228,348) relate to expenditure committed under signed authorisations for expenditure and relate to development and production assets. No other capital commitments have been made as at 31 July 2009.

### 33. Related party transactions

Mr Walter Roberts is a Non-Executive Director of Egdon Resources plc and is also a Director and shareholder in Pinnacle Energy Limited, a Company that provides legal and consultancy services to the oil and gas industry. During the year to 31 July 2009 Pinnacle Energy Limited invoiced the Group £147,571 (2008: £215,417) for legal and consultancy services provided at commercial rates and agreed by the Directors of the Company. At the year end £10,565 was owing to Pinnacle Energy Limited (2008: £26,539).

Mr John Rix is a Non-Executive Director of Egdon Resources plc and controlling shareholder in Dorset Exploration Limited and Yorkshire Exploration Limited, companies that hold non-operating partnership interests in certain licences in which Egdon has an interest as operator. During the year to 31 July 2009 Egdon invoiced Dorset Exploration Limited and Yorkshire Exploration Limited £19,784 (2008: £8,012) and £30,711 (2008: £63,530) respectively by way of cost-recovery. At 31 July 2009 £3,821 (2008: £1,681 credit) was due from Dorset Exploration Limited and £7,050 (2008: £995) was due from Yorkshire Exploration Limited. These amounts have been paid since the year end.

Egdon Resources Plc was the ultimate Parent Company of the Portland Gas Group before demerger. Inter Company transactions took place between the two Groups as payments were made to third parties on behalf of the respective counterparty and these amounts were recovered or settled by Inter Company loan account transactions.

The Company and Group also have a related party relationship with its subsidiaries in the course of normal operations.

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

	2009 £	2008 £
Egdon Resources (New Ventures) Ltd	<b>23,363</b>	25,538
Egdon Resources Europe Limited	<b>4,231</b>	500
Egdon Resources U.K. Limited	<b>326,831</b>	127,024
Egdon Resources Avington Limited	–	–
	<b>354,425</b>	153,062

### 33. Related party transactions (continued)

The balances outstanding at 31 July 2009 and 31 July 2008 are set out in the following table.

As at 31 July 2009 Related party	Amounts owed by related parties £	Amounts owed to related parties £
<b>The ultimate parent</b>		
Egdon Resources plc	70,595	502,946
<b>Subsidiaries</b>		
Egdon Resources (New Ventures) Ltd	49,864	–
Egdon Resources Europe Limited	20,731	–
Egdon Resources U.K. Limited	–	485,454
Egdon Resources Avington Limited	–	17,492
<hr/>		
As at 31 July 2008 Related party	Amounts owed by related parties £	Amounts owed to related parties £
<b>The ultimate parent</b>		
Egdon Resources plc	25,838	89,737
<b>Subsidiaries</b>		
Egdon Resources (New Ventures) Ltd	25,338	–
Egdon Resources Europe Limited	500	–
Egdon Resources U.K. Limited	–	89,737

### 34. Control of the Group

There is no ultimate controlling party of Egdon Resources plc.

### 35. Post balance sheet events

On 23 September 2009 the Company announced it was in advanced negotiations to acquire a portfolio of UK and French assets from EnCore Oil plc ("EnCore"). The assets to be acquired would comprise of EnCore's entire interest in ten onshore UK licences, two onshore French licences and an interest in the Ceres gas field on the UKCS as listed below.

Licence	Basin	Equity (%)	Operator
<b>Onshore UK</b>			
PEDL068	Cleveland Basin	20.0	Egdon Resources
PEDL098	Wessex Basin	7.5	Northern Petroleum
PEDL125	Weald Basin	10.0	Northern Petroleum
PEDL126	Weald Basin	10.0	Northern Petroleum
PEDL154	Weald Basin	10.0	Northern Petroleum
PEDL155	Weald Basin	10.0	NPWeald Limited
PEDL240	Wessex Basin	7.5	Northern Petroleum
PEDL253	Humber	60.0	EnCore
PEDL256	Weald Basin	7.5	Northern Petroleum
<b>Onshore France</b>			
Mairy	Paris Basin	30.0	Lundin
Nimes	Rhone Graben Basin	100.0	EnCore
<b>UKCS – Ceres</b>			
P1241	47/9c, Southern North Sea	10.0	Centrica

The consideration, which will be satisfied in Egdon ordinary shares, will be finalised as part of the contract negotiations and the transaction will be structured so that on completion EnCore's ownership will not exceed 29.9% of the enlarged share capital. The transaction is subject to final agreement of terms, completion of detailed due diligence, and shareholder and regulatory approval. The companies will make further announcements as the process progresses.

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## Notes forming part of the financial statements (continued)

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### 35. Post balance sheet events (continued)

On 15 October 2009 the Company announced it had reached agreement to sell a package of interests in four onshore UK licences to Terrain Energy Limited ("Terrain"). The interests to be acquired are all located in the East Midlands and comprise of a 15% interest in PEDL005 (Remainder), and 25% interests in PEDL203, PEDL118 and PEDL206 respectively. Following completion Egdon will hold a 75% operated interest in all of these licences.

The transaction is subject to regulatory approval by the Department of Energy and Climate Change and in the case of PEDL005(Remainder) approval by licence partners. The consideration to be received by Egdon for the transaction will be £687,500, with £450,000 payable in cash on completion and a further £237,500 payable on a staged basis on commencement of specific drilling activity on licences PEDL005(Remainder), PEDL118 and PEDL203. From completion Terrain would also be paying its share of all expenses and receiving its share of all revenues from the licences.

## EGDON RESOURCES PLC (THE "COMPANY")

(Incorporated and registered in England and Wales with registered number 06409716)

Directors  
Philip Stephens (Non-Executive Chairman)  
Mark Abbott (Managing Director)  
Andrew Hindle (Non-Executive Director)  
Kenneth Ratcliff (Non-Executive Director)  
Walter Roberts (Non-Executive Director)  
John Rix (Non-Executive Director)

Registered Office:  
Suite 2  
90-96 High Street  
Odiham  
Hampshire  
RG29 1LP

3 November 2009

Dear Shareholder,

### 1. Introduction

Notice of the Company's forthcoming Annual General Meeting to be held on Thursday 3 December 2009 ("AGM" or "Annual General Meeting") appears on the following pages.

As in previous years your Board is not recommending the payment of a dividend.

### 2. Resolutions to be proposed at the AGM

#### Ordinary Business

##### *Annual Report and Accounts (Resolution 1)*

A copy of the annual report and accounts (together with the Directors' and Auditors' reports on the annual report and accounts) for the Company for the financial year ended 31 July 2009 (the "Accounts") has been sent to you with this document. Shareholders will be asked to receive the Accounts at the Annual General Meeting.

##### *Re-appointment of Auditors (Resolution 2)*

The Company is required at each general meeting at which accounts are presented to appoint auditors to hold office until the next such meeting. Nexia Smith & Williamson Audit Limited have indicated their willingness to continue in office. Accordingly, Resolution 2 proposes their re-appointment as auditors of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at which Accounts are laid, and authorises the Directors to determine their remuneration.

##### *Retirement by Directors (Resolutions 3 and 4)*

Mark Abbott and Andrew Hindle are the Directors retiring by rotation this year and each offers himself for re-election. All members of the Board are required to submit themselves for re-election at least once every three years. Brief biographical details of each of the Directors appear on page 9 of the Report.

#### Special Business

##### *Authority of Directors to allot shares (Resolution 5)*

The authority given to the Directors to allot further shares in the capital of the Company requires the prior authorisation of the shareholders in general meeting under Section 551 Companies Act 2006. Upon the passing of Resolution 5, pursuant to paragraph (A) of the Resolution, the Directors will have authority to allot shares up to a maximum of £2,515,859 which is approximately one-third of the current issued share capital as at 3 November 2009, being the latest practicable date before the publication of this Letter. This authority will expire immediately following the annual general meeting in 2010 or, if earlier, six months following the date to which the Company's next annual report and accounts are made up.

In addition, in accordance with the guidance from the Association of British Insurers ("ABI") on the expectations of institutional investors in relation to the authority of Directors to allot shares, upon the passing of Resolution 5, the Directors will have authority (pursuant to paragraph (B) of the Resolution) to allot an additional number of ordinary shares up to a maximum of £2,515,859, which is approximately a further third of the current issued ordinary share capital as at 3 November 2009, being the latest practical date before the publication of this Letter. However, the Directors will only be able to allot those shares for the purposes of a rights issue in which the new shares are offered to existing shareholders in proportion to their existing shareholdings. This authority will also expire immediately following the next Annual General Meeting or, if earlier, six months following the date to which the Company's next annual report and accounts are made up to.

As a result, if Resolution 5 is passed, the Directors could allot share representing up to two-thirds of the current issued share capital pursuant to a rights issue.

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## Letter from the Chairman with Notice of Annual General Meeting (continued)

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### *Disapplication of pre-emption rights (Resolution 6)*

If the Directors wish to exercise the authority under Resolution 5 and offer unissued shares (or sell any shares which the Company may purchase and elect to hold as treasury shares) for cash, the Companies Act 2006 requires that unless shareholders have given specific authority for the waiver of the statutory pre-emption rights, the new shares be offered first to existing shareholders in proportion to their existing shareholdings. In certain circumstances, it may be in the best interests of the Company to allot new shares (or to grant rights over shares) for cash without first offering them to existing shareholders in proportions to their holdings.

Resolution 6 would authorise the Directors to do this by allowing the Directors to allot shares for cash (i) by way of a rights issue (subject to certain exclusions), (ii) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportions to their shareholdings (subject to certain exclusions) and (iii) to persons other than existing shareholders up to an aggregate nominal value of £377,378.80 which is equivalent to 5% of the issued share capital of the Company on 3 November 2009, being the latest practicable date prior to the publication of this Letter. If given, the authority will expire on the conclusion of the Annual General Meeting in 2010 or, if earlier, six months following the date to which the Company's next annual reports and accounts are made up.

### *Articles of Association (Resolution 7)*

The need to amend the Articles of Association again this year was mentioned in my letter to you at this time last year. However fortunately it is not necessary to adopt a complete new set of Articles.

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and Articles of Association. The Company's Memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are now treated as forming part of the Company's Articles of Association. Resolution 8 confirms the removal of these provisions for the Company. As the effect of this Resolution will be to remove the statement currently in the Company's Memorandum of Association regarding limited liability, the revised Articles of Association will contain an express statement regarding the limited liability of shareholders.

Further, the Companies Act 2006 abolished the concept of authorised share capital. Accordingly, if passed, Resolution 7 will delete Article 5 of the Articles of Association of the Company which sets its authorised share capital.

### **3. Recommendation**

Your Directors consider the Resolutions to be proposed at the AGM to be in the best interests of the Company and its shareholders as a whole. Consequently, the Directors recommend shareholders to vote in favour of the Resolutions as they intend to do in respect of their own beneficial holdings totalling 16,502,737 ordinary shares (representing 21.86% of the Company's issued share capital as at the date of this Letter).

A form of proxy is included for use at the AGM. Forms of proxy should be completed, signed and returned as soon as possible and in any event so as to be received by Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours prior to the time appointed for the holding of the AGM on 3 December 2009. Completion of a proxy form will not prevent you from attending the AGM in person if you so wish.

Yours sincerely,

### **Philip Stephens**

Non-Executive Chairman

## EGDON RESOURCES PLC

(Incorporated and registered in England and Wales with registered number 06409716)

Notice is hereby given that the Annual General Meeting of Egdon Resources plc (the "Company") will be held at the offices of Buchanan Communications Limited, 45 Moorfields, London EC2Y 9AE, United Kingdom on Thursday 3 December 2009 at 1130 hours for the purpose of passing the following Resolutions, of which Resolutions 1 to 5 will be proposed as Ordinary Resolutions and Resolutions 6 and 7 will be proposed as Special Resolutions:

### Ordinary resolutions:

- 1 To receive the report of the Directors and the audited accounts of the Company for the year ended 31 July 2009, together with the report of the Auditors on those audited accounts.
- 2 That Nexia Smith & Williamson Audit Limited be and are hereby re-appointed as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the meeting, at a remuneration to be determined by the Directors.
- 3 To re-elect Mark Abbott as Director who retires pursuant to Article 92 of the Company's Articles of Association and who, being eligible, offers himself or re-election.
- 4 To re-elect Andrew Hindle as Director who retires pursuant to Article 92 of the Company's Articles of Association and who, being eligible, offers himself for re-election.
- 5 To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 Companies Act 2006 (CA 2006) to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:

(A) up to an aggregate nominal amount of £2,515,859; and

(B) comprising equity securities (within the meaning of Section 560 CA 2006) up to a further aggregate nominal amount of £2,515,859 in connection with an offer by way of a rights issue:

- (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that that Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts).

The authorities conferred on the Directors under paragraphs (A) and (B) above shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or 31 January 2011, whichever is the earlier save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for, or to convert any security into, shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for, or to convert any security into, shares (as the case may be) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

### Special resolutions:

- 6 To consider and, if thought fit, to pass the following Resolution as a special resolution:

THAT, subject to the passing of Resolution 5 above the Directors be and they are hereby empowered pursuant to Section 570 CA 2006 to allot equity securities (within the meaning of Section 560 CA 2006) for cash pursuant to the authority conferred by Resolution 5, as if Section 561 CA 2006 did not apply to any such allotment, provided that this power shall be limited:

(A) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under paragraph (B) of Resolution 5, by way of a right issue only):

- (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts); and

(B) to the allotment (otherwise than under paragraph (A) of this Resolution 6) of equity securities up to an aggregate nominal amount of £377,378.80

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or 31 January 2011, whichever is the earlier, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

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## Notice of Annual General Meeting (continued)

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7 To consider and, if thought fit, pass the following resolution as a special resolution:

THAT

- (A) the Company's Articles of Association be hereby amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of Section 28 Companies Act 2006, are to be treated as provisions of the Company's Articles of Association, save for the statement relating to the limited liability of the Company's members (which will be included as a replacement Article 5 in the revised articles);
- (B) the Company's Articles of Association be and are hereby amended by deleting Article 5 (authorised share capital); and
- (C) the Company's Articles of Association be amended as set out in the document produced to the meeting marked "A" and initialled by the Chairman of the Meeting for the purpose of identification and the existing articles be renumbered and cross-references amended accordingly.

Dated 3 November 2009

By Order of the Board

**Walter Roberts**

Secretary

Registered Office:  
Suite 2  
90-96 High Street  
Odiham  
Hampshire  
RG29 1LP

**Notes:**

- 1 A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member. If a member wishes to appoint more than one proxy and so requires additional proxy forms, the member should contact Capital Registrars on +44 (0)871 664 0300 (calls cost 10p per minute plus network extras). A form of proxy for use by members at the Annual General Meeting accompanies this notice.
- 2 To be effective, the form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority, must be received by post or (during normal business hours only) by hand at the office of the Company's Registrars, being Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time of the holding of the meeting or any adjournment thereof.
- 3 Completion and return of the proxy form does not preclude a member from attending and voting at the meeting in person.
- 4 In accordance with the permission in Regulation 41(1) of The Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), only those holders of ordinary shares who are registered on the Company's share register at 1800 hours on 1 December 2009 shall be entitled to attend the above Annual General Meeting (or, in the case of an adjourned meeting, 1800 hours on the day which is two days before the adjourned meeting) and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 1800 hours on 1 December 2009 shall be disregarded in determining the rights of any person to attend and/or vote at the Annual General Meeting.
- 5 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
- 6 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.
- 7 Copies of the service agreements and letters of appointment between the Company and its Directors and a copy of the proposed new Articles of Association of the Company, with a copy of the existing Articles of Association marked to show the changes being proposed in Resolution 7 will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and Bank Holidays excluded) until the date of the meeting and also on the date and at the place of the meeting from 11.00 hours until the conclusion of the meeting.



**EGDON RESOURCES PLC**

(Incorporated and registered in England and Wales with registered number 06409716)

**Proxy Form for use by Shareholders at the Annual General Meeting (“AGM”) of Egdon Resources plc (the “Company”) to be held at the offices of Buchanan Communications Limited, 45 Moorfields, London EC2Y 9AE, United Kingdom on Thursday 3 December 2009 at 1130 hours.**

Please read the Notice of the AGM and the accompanying notes carefully before completing this Proxy Form.

As a Shareholder of the Company you have the right to attend, speak at and vote at the AGM. If you cannot, or do not want to attend the AGM, but still want to vote, you can appoint someone to attend the AGM and vote on your behalf. That person is known as a “proxy”. You can use this Proxy Form to appoint the Chairman of the AGM, or someone else, as your proxy. Your proxy does not need to be a Shareholder of the Company.

I/We, \_\_\_\_\_ (in BLOCK CAPITALS please)

being a Shareholder/Shareholders of Egdon Resources plc, appoint the Chairman of the AGM or \_\_\_\_\_

(see note 1) as my/our proxy to attend and, on a poll, to vote for me/us and on my/our behalf as indicated below at the AGM and at any adjournment thereof (see notes 2, 3, 4, 5, 6, 7 and 9).

Please clearly mark the boxes below to instruct your proxy how to vote.

<b>Ordinary Resolutions</b>	<b>For</b>	<b>Against</b>	<b>Vote Withheld</b>	<b>Discretionary</b>
1 To receive the Report and Accounts for the year ended 31 July 2009				
2 To re-appoint Nexia Smith & Williamson Audit Limited as auditors at a remuneration to be determined by the Directors				
3 To re-elect Mark Abbott				
4 To re-elect Andrew Hindle				
5 To grant the directors authority to allot shares on the basis set out in the Notice of AGM				
<b>Special Resolutions</b>				
6 To disapply pre-emption rights on the basis set out in the Notice of AGM				
7 To amend the articles of association of the Company				

Signature(s) \_\_\_\_\_ (see note 8)

Date \_\_\_\_\_

## Notes:

- A proxy need not be a member of the Company but must attend the meeting to represent you. If you wish to appoint as a proxy a person other than the Chairman of the AGM, please delete the words “the Chairman of the AGM” and insert the name of the other person. All alterations made to this Proxy Form must be initialled by the signatory. If you sign and return this Proxy Form with no name inserted in the box, the Chairman of the AGM will be deemed to be your proxy. If the proxy is being appointed in relation to less than your full voting entitlement, please enter the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this Proxy Form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
- To be effective, this Proxy Form (together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority) must be received by post or (during normal business hours only) by hand at the office of the Company’s Registrars, being Capita Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by no later than 1130 hours on 1 December 2009.
- You are entitled to appoint more than one proxy provided that each proxy is appointed to exercise rights attached to a different share or shares held by you. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional Proxy Form(s) may be obtained by contacting the Registrars helpline on +44 (0)871 664 0300 (calls cost 10p per minute plus network extras) or you may photocopy this form. Please indicate next to the proxy holder’s name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
- Completion and return of this Proxy Form will not prevent you from attending in person and voting at the AGM should you subsequently decide to do so.
- If you wish your proxy to cast all of your votes “For” or “Against” a resolution you should insert an “X” in the appropriate box. If you wish your proxy to cast only certain votes “For” and certain votes “Against”, insert the relevant number of shares in the appropriate box. In the absence of instructions, your proxy may vote or abstain from voting as he or she thinks fit on the specified resolution and, unless instructed otherwise, may also vote or abstain from voting as he or she thinks fit on any other business (including on a motion to amend a resolution to propose a new resolution or to adjourn the AGM) which may properly come before the AGM.
- The “Vote Withheld” option is provided to enable you to instruct your proxy to abstain from voting on a particular resolution. A “Vote Withheld” is not a vote in law and will not be counted in the calculation of the proportion of the votes “For” or “Against” a resolution. The “Discretionary” option is provided to enable you to give discretion to your proxy to vote or abstain from voting on a particular resolution as he or she thinks fit.
- In accordance with the permission in Regulation 41 of the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), only those holders of ordinary shares who are registered on the Company’s share register at 1800 hours on 1 December 2009 shall be entitled to attend the above AGM (or 1800 hours on the day which is two days before the day of any adjourned meeting) and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 1800 hours on 1 December 2009 shall be disregarded in determining the rights of any person to attend and/or vote at the AGM.
- This Proxy Form must be signed by the shareholder or his/her attorney. Where the shareholder is a corporation, the signature must be under seal or signed by a duly authorised representative stating their capacity (e.g. Director, secretary). In the case of joint shareholders, any one shareholder may sign this Proxy Form or may vote in person at the Meeting. If more than one joint shareholder is present at the AGM either in person or by proxy, that one of them whose name stands first in the register of members in respect of the share shall alone be entitled to vote (whether in person or by proxy) in respect of it.
- If you submit more than one valid proxy appointment in respect of the same share or shares, the appointment received last before the latest time for the receipt of proxies will take precedence. If the Company is unable to determine which was received last, none of the proxy appointments in respect of that share or shares shall be valid.

Fold 2 here

PLEASE  
AFFIX  
POSTAGE  
STAMP  
HERE

Capita Registrars  
Proxy Department  
The Registry  
PO Box 25  
Beckenham  
Kent  
BR3 4BR

Fold 1 here

Fold 3 here and tuck in

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## Directors, officers and advisors

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### **Directors**

Philip Stephens Non-Executive Chairman  
Mark Abbott Managing Director  
Walter Roberts Non-Executive Director and Company Secretary  
Andrew Hindle Non-Executive Director  
Ken Radcliff Non-Executive Director  
John Rix Non-Executive Director

### **Principal and Registered Office**

Suite 2  
90-96 High Street  
Odiham  
Hampshire RG29 1LP

### **Nominated Advisor and Stockbrokers**

Seymour Pierce Limited  
20 Old Bailey  
London EC4M 7EN

### **Auditors**

Nexia Smith & Williamson  
1 Bishops Wharf  
Walnut Tree Close  
Guildford  
Surrey GU1 4RA

### **Legal Advisors**

Norton Rose  
3 More London Riverside  
London SE1 2AQ

### **Accountants and Tax Advisors**

Bessler Hendrie  
Albury Mill  
Mill Lane  
Chilworth  
Guildford  
Surrey GU4 8RU

### **Financial Public Relations**

Buchanan Communications Limited  
45 Moorfields  
London  
EC2Y 9AE

### **Registrars**

Capita IRG plc  
Bourne House  
34 Beckenham Road  
Beckenham Kent BR3 4TU

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**Egdon Resources plc**  
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Hampshire RG29 1LP  
England

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[www.egdon-resources.com](http://www.egdon-resources.com)

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