

24<sup>th</sup> April 2014

The Directors  
 Egdon Resources Plc  
 The Wheat House  
 98 High Street  
 Odiham  
 Hampshire  
 RG29 1LP

**RE: Review of certain UK Onshore properties held by Egdon Resources plc.**

Dear Sirs,

In accordance with your instructions, ERC Equipoise Ltd (“ERCE”) has reviewed estimates of undiscovered gas initially in place (GIIP) for certain properties onshore and offshore UK in which Egdon Resources plc (“Egdon”) has equity interests, and are thought to be prospective for shale gas. A summary of licence interests is given in Table 1 of this letter.

Licence	Location	Company	Gross Licence Area (sqkm)	Interest	Licence Expiry
PEDL139/PEDL140	Gainsborough Trough	Egdon	241	14.50%	30-Sep-17
PL161 & PL162*	Gainsborough Trough	Egdon	115	50.00%	01-Jun-17
PEDL209	Gainsborough Trough	Egdon	64	60.00%	30-Jun-15
PEDL068	Cleveland Basin	Egdon	78	40.00%	07-Sep-31
41/18 & 41/19	Cleveland Basin	Egdon	363	100.00%	19-Apr-17

**Table 1: Summary of Licences Reviewed**  
 (\*presuming farm-in option is exercised)

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ERCE has carried out this audit using data and information made available by Egdon. These data comprise details of Egdon’s licence interests, basic exploration and engineering data where available, (including seismic data, well logs, core, PVT and test data), technical reports, interpreted data and, where applicable, outline development plans.

Our approach has been to commence our investigations with the most recent technical reports and interpreted data. From these we have been able to identify those items of basic data which require re-assessment.

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In estimating petroleum in place and recoverable, ERCE has used standard techniques of geology and petroleum engineering. These techniques combine geophysical and geological knowledge with detailed information concerning porosity and permeability distributions, fluid characteristics and reservoir pressure. There is uncertainty in the measurement and interpretation of basic data. We have estimated the degree of this uncertainty and determined the range of petroleum initially in place.

No site visit was undertaken in the generation of this report.

Exploration of unconventional shale gas resources within the UK is at an early stage, and in many cases, data are limited. Our estimates should be seen as scoping calculations, have a relatively wide range, and are subject to significant exploration risk. No resources, discovered or undiscovered, are assigned by ERCE to any of the properties reviewed at this stage.

Shale gas prospectivity within the properties in Table 1 is identified within the organic-rich mudstones of the Namurian and Dinantian-aged stratigraphy deposited in the Carboniferous rift basins over which the reviewed licences extend. Well penetrations are limited, and there is significant uncertainty in the extent and thickness of these shales. The limited well data suggest that the shales reviewed are close to or at hydrostatic pressure.

ERCE uses probabilistic methods to assess the GIIP for the properties listed in Table 1. Our estimates use ranges of net thickness, calibrated to the available wells and mapped seismic thickness of the Namurian and Dinantian intervals, where such data and interpretations are available. Estimates of shale maturity are based on the available vitrinite reflectance data are then used to control our estimates of prospective area. Porosity, gas saturation and adsorbed gas percentages are estimated with reference to suitable global analogues, due to lack of primary data. Gas expansion factors are calculated with reference to the available pressure and temperature data. We make estimates of undiscovered free and adsorbed gas initially in place, with reference to analogues elsewhere in the world that are in a similar tectonic and pressure regime. Our estimates of undiscovered GIIP are summarised in Table 2.

GIIP Gross (bcf)				GIIP Net Egdon (bcf)			
LOW	MID	HIGH	Mean	LOW	MID	HIGH	Mean
17,034	34,344	74,452	42,511	7,769	15,224	30,973	18,129

**Table 2: Deterministic totals of gross and net estimates GIIP for the considered licences**

*Egdon's interests as of letter date*

Our estimates of GIIP are subject to exploration risk, which may be considerable. ERCE has not assessed this risk as no prospective resources have been attributed to these properties. We note that mining of the overlying coal measures has occurred in parts of a number of the licences, which may affect site access and drilling operations.

ERCE is an independent consultancy specialising in geoscience evaluation and engineering and economics assessment. Except for the provision of professional services on a time-based fee basis, ERCE has no commercial arrangement with any other person or company involved in the interests which are the subject of this report. ERCE confirms that it is independent of Egdon, its directors, senior management and advisers.

ERCE has the relevant and appropriate qualifications, experience and technical knowledge to appraise professionally and independently the assets.

The work has been supervised by Dr Adam Law, Geoscience Director of ERCE, a post-graduate in Geology, a Fellow of the Geological Society and a member of the Society of Petroleum Evaluation Engineers (No 726).

For and on behalf of ERC Equipoise

A handwritten signature in black ink, consisting of a stylized 'A' followed by a cursive 'L'.

Dr Adam Law  
Director