

# Egdon Resources plc

## AGM Presentation 2014



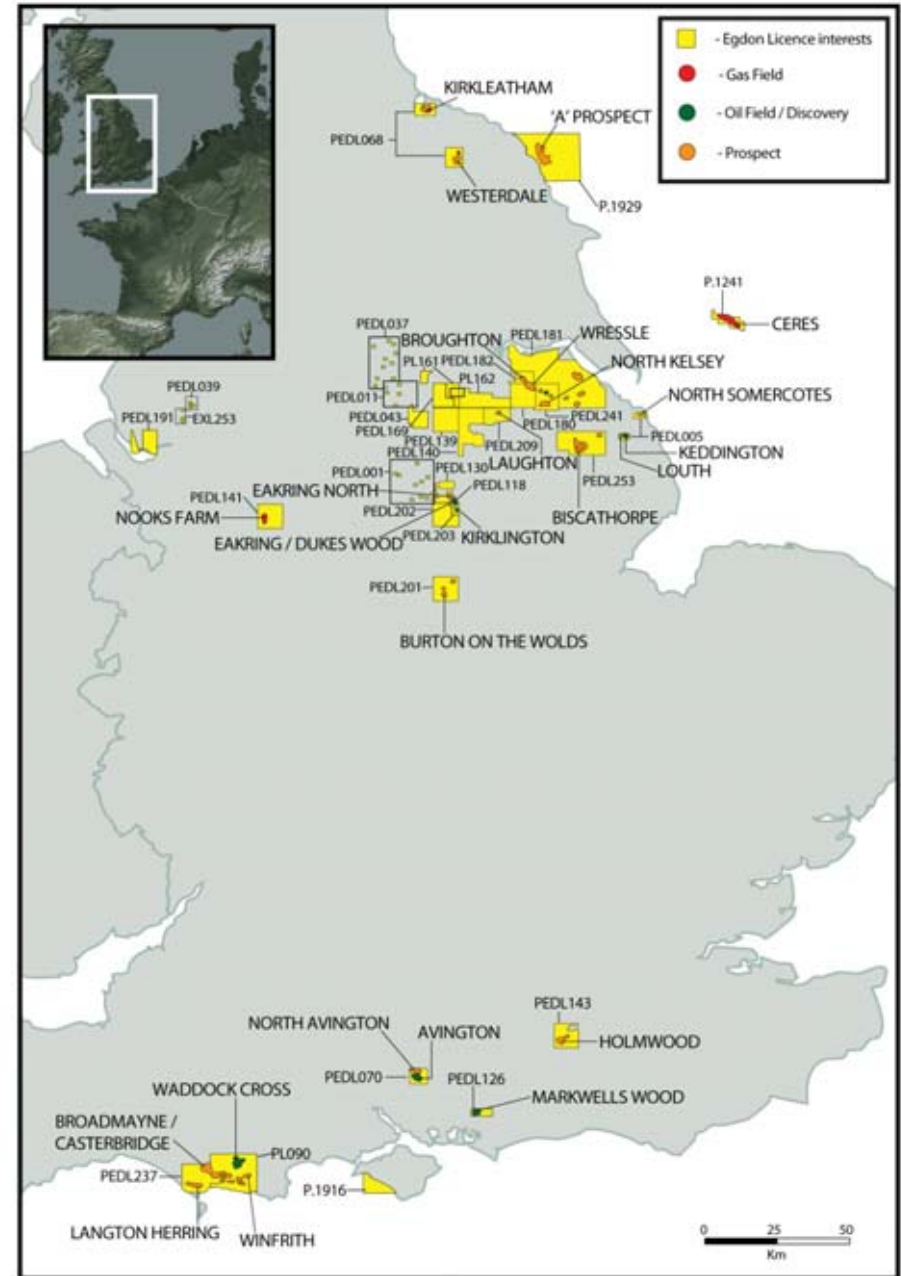
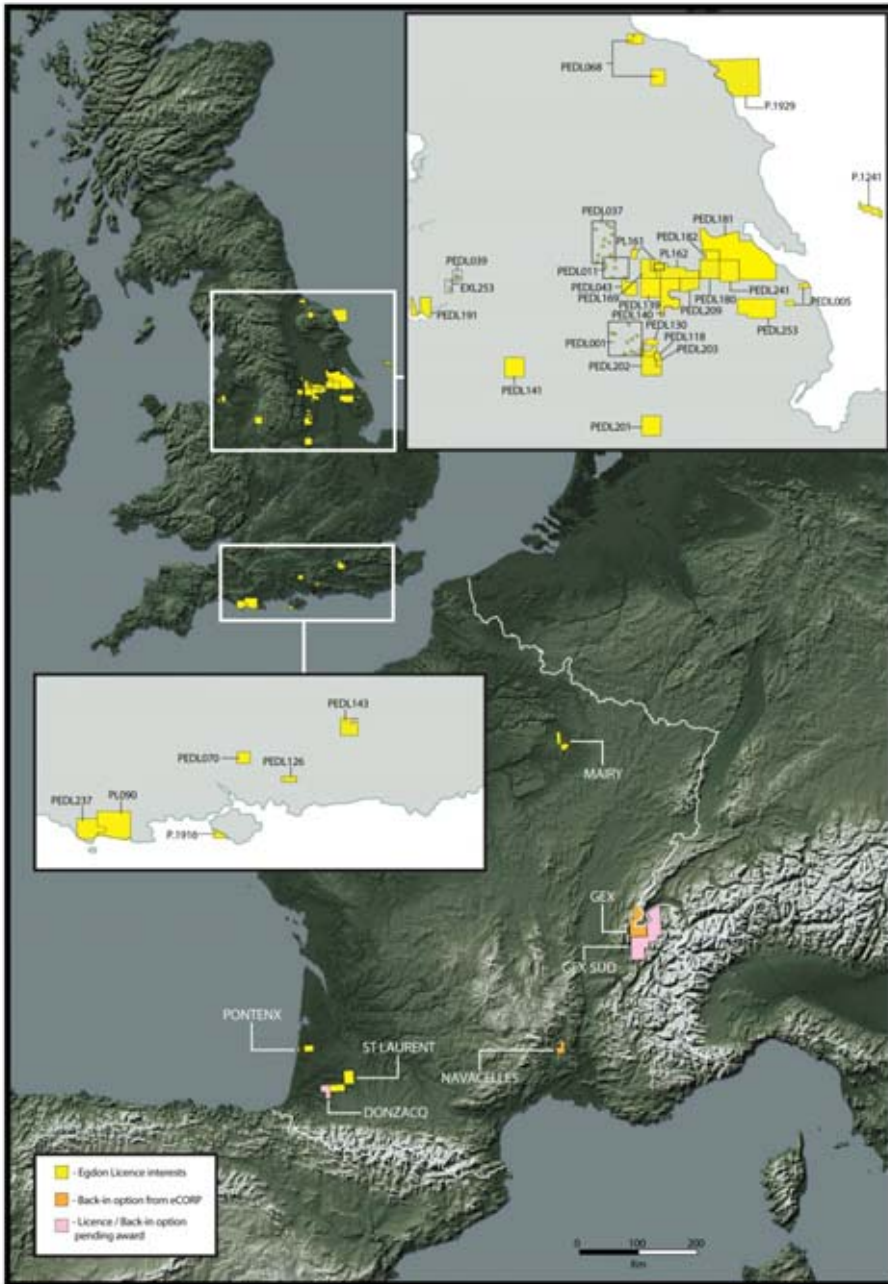


## Egdon at a Glance

|  |                     |  |
|--|---------------------|--|
| <b><u>AIM Listed (EDR)</u></b>                 | <b>Formed 1997</b>  | <b>Established oil &amp; gas exploration &amp; production company</b><br><b>Onshore UK focus</b><br><b>Existing UK production and cash flow</b><br><b>Substantial unused tax shield of £31.2m</b>                  |
| <b><u>36 Licences in the UK and France</u></b> |                     | <b>Strong opportunity base for growth</b><br><b>Participant in 14<sup>th</sup> Round</b>   |
| <b><u>Value Drivers</u></b>                    | <b>UK Shale-Gas</b> | <b>Existing acreage – 140,000 net acres post Alkane acquisition - high value developing play</b><br><b>Total farm-out validates play and sets value</b><br><b>Few listed investment opportunities in UK market</b> |
|  | <b>Exploration</b>  | <b>Contingent/Prospective Best Estimate Resources c. 630 mmboe</b><br><b>Active 2015 drilling programme</b>  |
|  | <b>Production</b>   | <b>Revenues and potential near-term growth</b>   |



# Egdon at a Glance





## Highlights – Year ended 31 July 2014

- **Attributable production of 86,870 barrels of oil equivalent (2013: 79,947 barrels of oil equivalent)**
- **Oil and gas revenues during the period £2.96 million (2013: £3.34 million)**
- **Loss for the period of £0.46 million (2013: £0.72 million loss) after impairment charge of £0.54 million (31 July 2013: £0.56 million)**
- **Transformation of the Company into a leading UK shale gas business following the acquisition of the shale-gas interests of Alkane Energy plc in 10 licences for a consideration of 40,000,000 ordinary shares and farm-out and option agreements with Total E&P UK Limited with significant carried work programmes which could be in excess of £40 million (gross) combined**
- **Option Agreement with Scottish Power for PL161/162 in core Gainsborough Trough shale-gas play area (exercised in December 2014)**
- **Commenced active drilling programme post-year end with discovery at Wressle-1 now to be tested in January 2015**
- **Two equity fundraisings during the period raising £10 million (before costs)**
- **Cash at bank £9.67 million as at 31 July 2014 (31 July 2013: £2.01 million)**
- **Net Assets as at 31 July 2014 of £36.41 million (31 July 2013: £16.80 million)**



# 2014 - A Transformational Year



|                           | "Old"<br>Egdon<br>December 2013                                 | Post Total Deals/Jan<br>£3m Raise                              | Post Alkane transaction<br>"New" Egdon  |
|---------------------------|---|--|---|
| Market Cap.<br>Shareprice | <£10m @ 8p<br><10p  | ~£29m @ 20p<br>>20p  | ~£55-60m immediately after deal<br>>27p<br><br>~Now £25-30m after oil sector fall                             |
| Activity levels           | Low   | High; Major conventional and shale gas drilling campaign       | Higher; Major conventional and shale gas drilling campaign  |
| Financial flexibility     | Limited by portfolio optionality and capital availability/scale | Financed for planned 2014/15 Programme<br><br>Debt free        | Financed for planned 2014/15 programme, 14 <sup>th</sup> Round and Alkane pre-farm-out spend<br><br>Debt free |
| Dealflow                  | Limited to conventional farm outs                               | Proven shale dealmaker<br><br>Significant unfarmed optionality | Proven shale dealmaker<br><br>~Doubling of unfarmed acreage optionality                                       |
| Acreage                   | Acquired for conventional identified possibility of shale       | ~73,000 acres prospective for Bowland Shale                    | ~140,000 acres prospective for Bowland Shale  |



- **Four significant transactions during the period:**
  - **PL161/162 Scottish Power Option Agreement**
  - **Total Farm-in to PEDL139/140**
  - **Total Option Agreement for PEDL209**
  - **Acquisition of Alkane shale-gas assets**
- **Built on Egdon's core skills and experience adding shale-gas assets in the Gainsborough Trough focus area**
- **Deals with Total validate the Gainsborough Trough play and Egdon's strategy for UK shale-gas of consolidating position in a key prospective basin**
- **Created a material, focused onshore business with strong emphasis on shale growth, with a clear, funded strategy and business plan**
- **Created the second largest (by resource potential and net shale acreage) publically quoted UK shale-gas Company = enhanced visibility and investor interest**
- **Independently reported Mean-Case GIIP of 28 TCF, 140,000 net acres**
- **Created an attractive "farm-in" counterparty and "consolidation target" for a "major/utility" to fund high cost shale-gas exploration and appraisal and to ultimately realise value via disposal within a 3-5 year time frame**

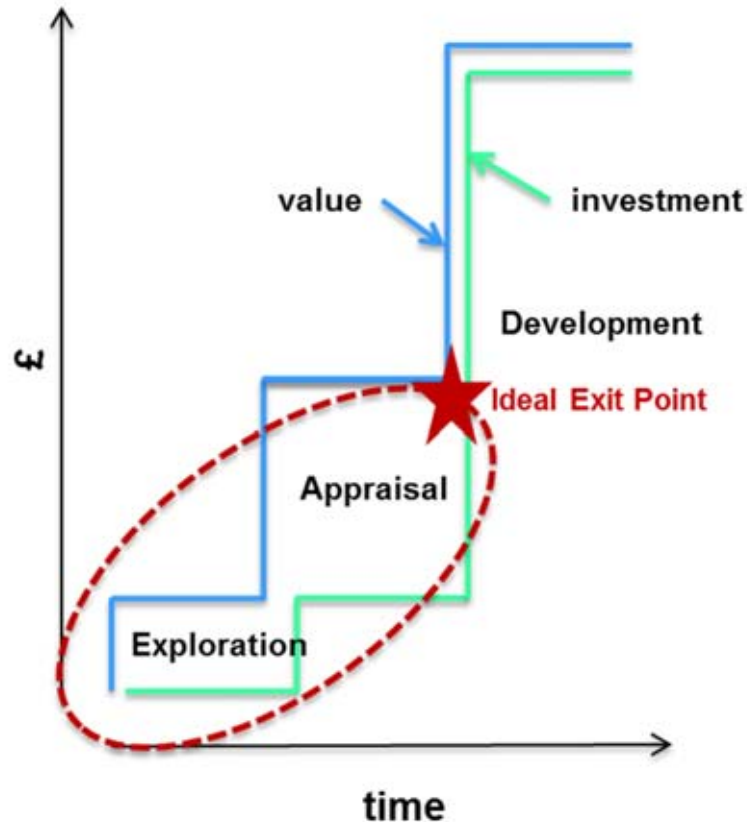


## Egdon's Strategy:

**“To create shareholder value by building a material asset base through carried shale gas exploration and significant near term conventional exploration onshore UK ”**

**Three key near-term strategic objectives to drive shareholder value;**

- **UK Shale-Gas - growing the Company's exposure to shale-gas exploration opportunities in Northern England.**
- **Conventional Exploration and Appraisal - adding additional reserves/revenues through an active conventional drilling programme whilst managing risk and financial exposure through farm-out.**
- **Production - a continued focus on maximising production rates and revenues from existing producing assets through targeted investment.**

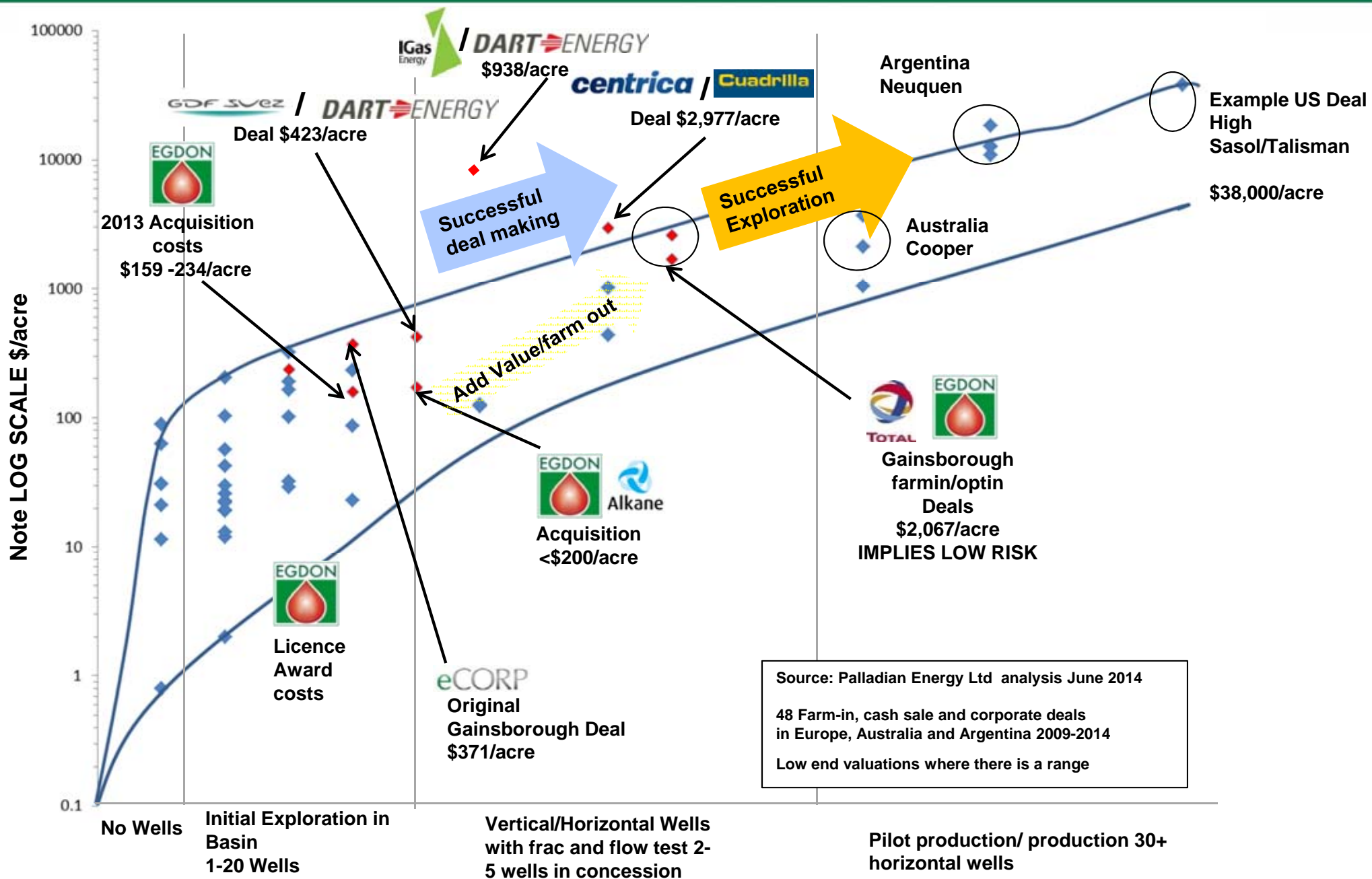


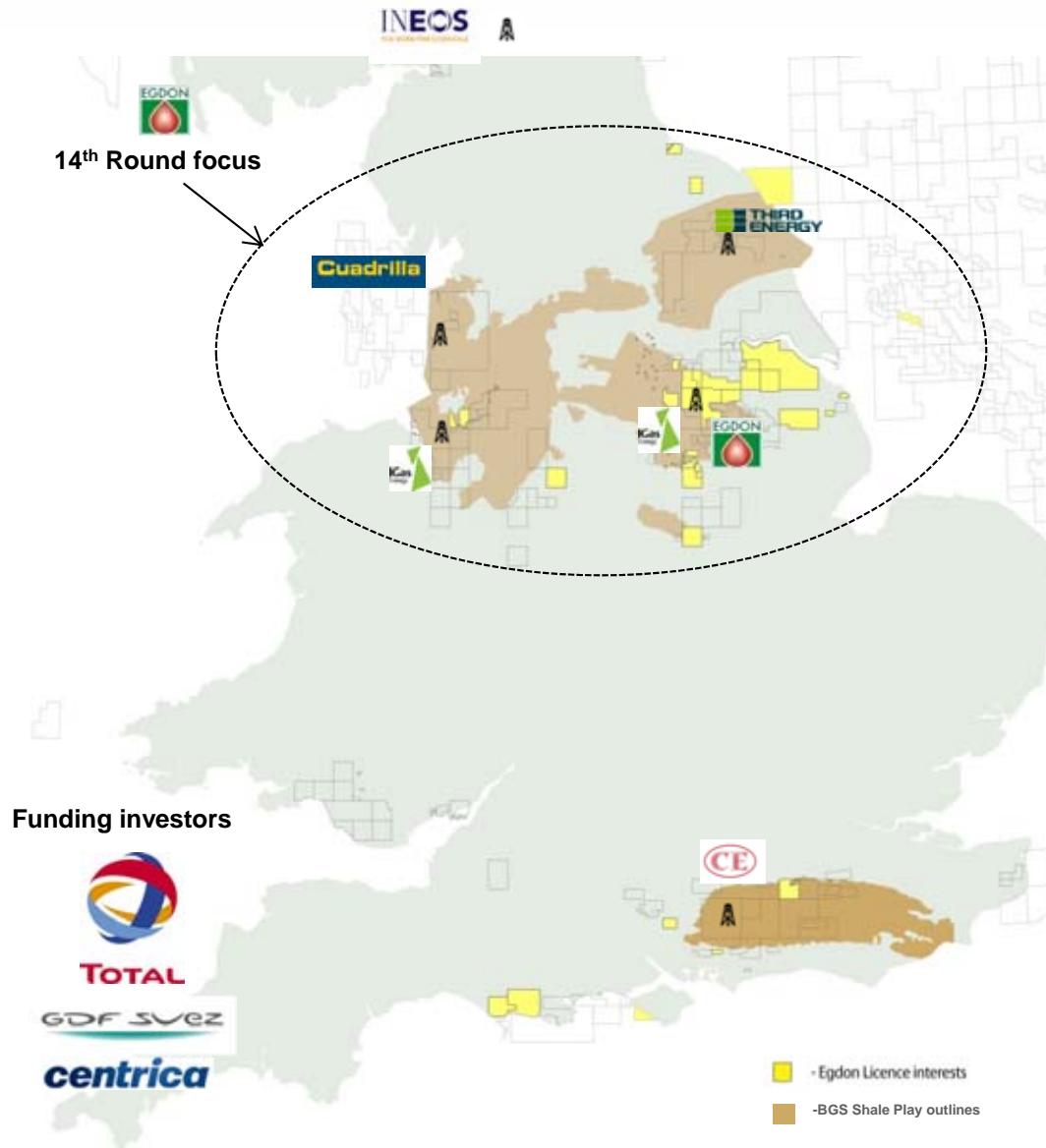
- Targeting brittle high TOC Carboniferous marine shale plays that have sourced oil and gas in Northern England
- Egdon is one of a few publicly quoted companies with an exposure to UK Shale-gas
- Primary focus is in the exploration and appraisal phase
- Egdon Shale-gas business model
  - Early stage acquirer
  - High farm-out multiple (e.g Total deal)
  - Monetise prior to development
- Any 14<sup>th</sup> Round awards may add to quality acreage portfolio
- UK government support evident from changes to fiscal and regulatory environment
- Egdon is an active member of UKOOG





# Egdon's UK Shale-Gas Strategy in Action





- **14<sup>th</sup> Round awards possible by end March 2015**
  - Egdon participated in strong consortiums
  - Post-round = Possible asset deals
  - Post Round = Possible corporate activity
- **Second half of 2015 could see several unconventional wells fracked \***
  - **Quadrilla – Bowland Basin**
  - **IGas – North West England (Blacon Basin)**
  - **Third Energy – Cleveland Basin**
- **2015 could see several play opening unconventional wells drilled in different basins\***
  - **IGas – Gainsborough Trough (EDR partner)**
  - **Celtique Energie – Weald Basin**
  - **Ineos – Midland Valley Scotland**

\*Subject to planning    ⚠ Likely drilling/fracking in area



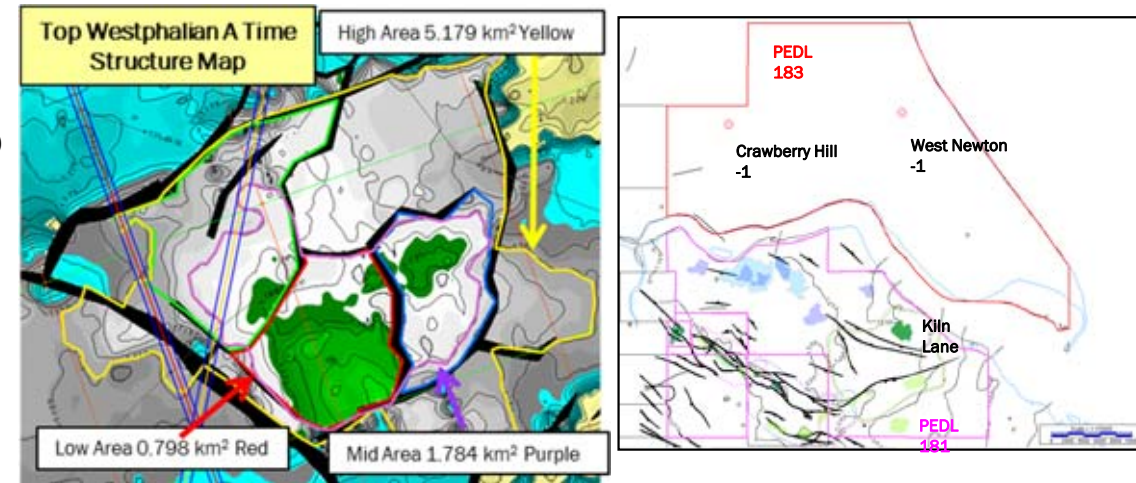
## Wressle Prospect PEDL180 : Egdon 25% operated

- Well completed September 2014
- Testing with work-over rig now planned for January 2015 following receipt of EA permit in early December
- Elevated mud gas readings were observed over large parts of the target interval
- Measurement Whilst Drilling (MWD) logging tools run on the drill string.
- Petrophysical evaluation indicates the presence of over 30 metres of potential hydrocarbon pay in three main intervals
  - Penistone Flags - up to 19.8 metres measured thickness
  - Wingfield Flags - up to 5.64 metres measured thickness
  - Ashover Grit - up to 6.1 metres measured thickness



## Kiln Lane PEDL181: Egdon 25% (EOG Operated)

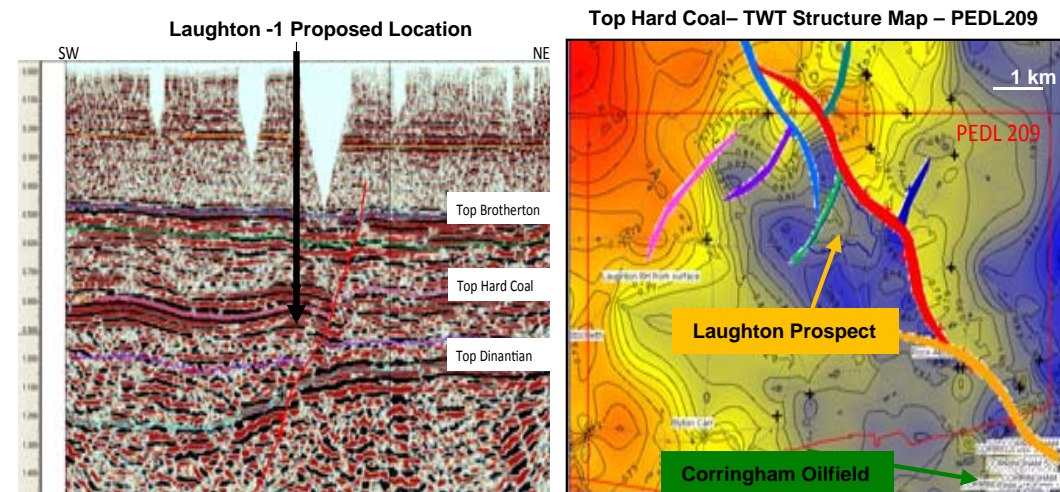
- Net Egdon Best Estimate Prospective Resources of 0.68 mmb
- Prospect defined on 77km 2D Seismic Acquisition and 3D reprocessing completed in 2013
- Prospect is a fault-modified 4 Way dip Closure
- Europa Secured planning permission in October 2014
- Large licence contains additional prospects
- Crawberry Hill-1 and West Newton-1 drilled in summer 2013 by Rathlin. Currently production testing the Permian and Carboniferous sections in both exploration wells



Source: EOG plc IR presentation Nov 2014

## Laughton Prospect PEDL209 : Egdon 60% operated

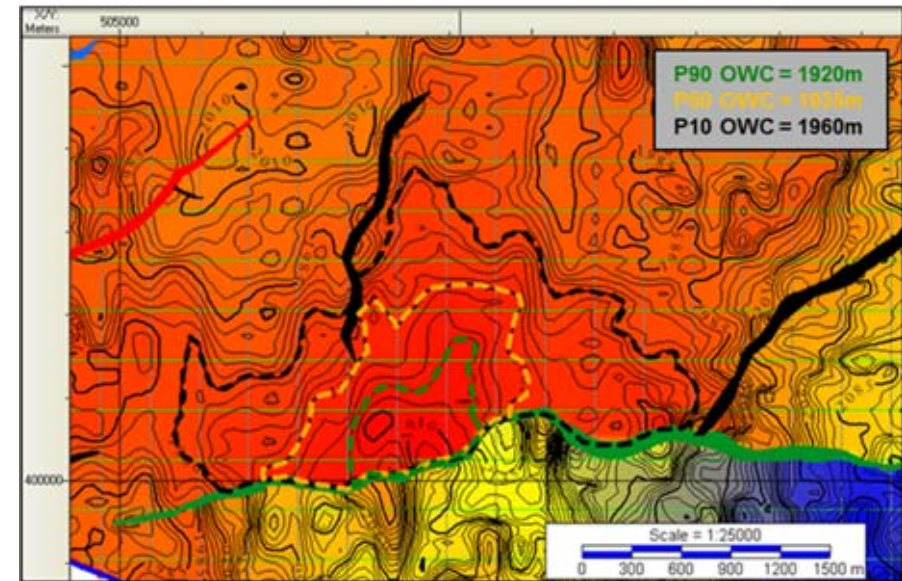
- Laughton Prospect on trend with nearby existing production at Corringham (5 km to SE)
- Multiple conventional reservoir targets – primary target Silkstone Rock
- Net Egdon Best Estimate Prospective Resources of 0.6 mmb (Silkstone Rock)
- Planning granted for Laughton-1 – planned Q1 2015 well
- Licence also contains additional prospects and shale-gas potential to the South and East





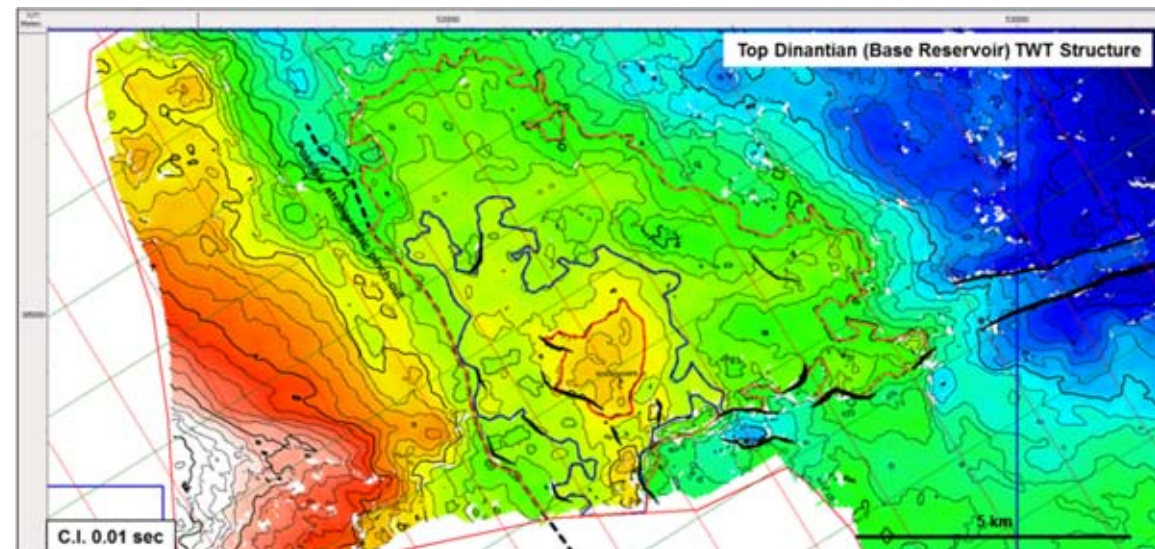
## North Kelsey Prospect PEDL241 : Egdon 40% operated

- Conventional prospect defined on 3D seismic data with multiple reservoir targets
- Farmed-out 10% interest at 2:1 promote to Union Jack Oil Plc Net Egdon Best Estimate Prospective Resources of 2.4 mmbo
- Planning consent granted on 8 December 2014



## Biscathorpe Prospect PEDL253 : Egdon 54% operated

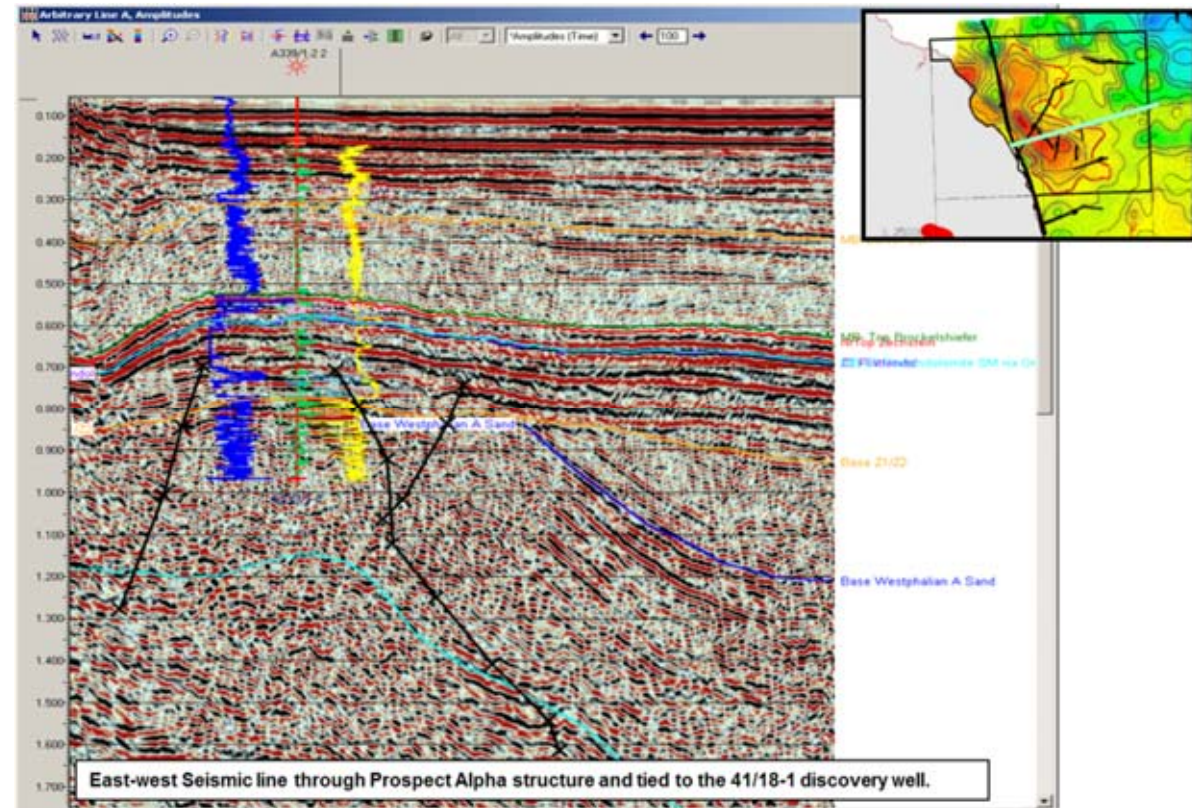
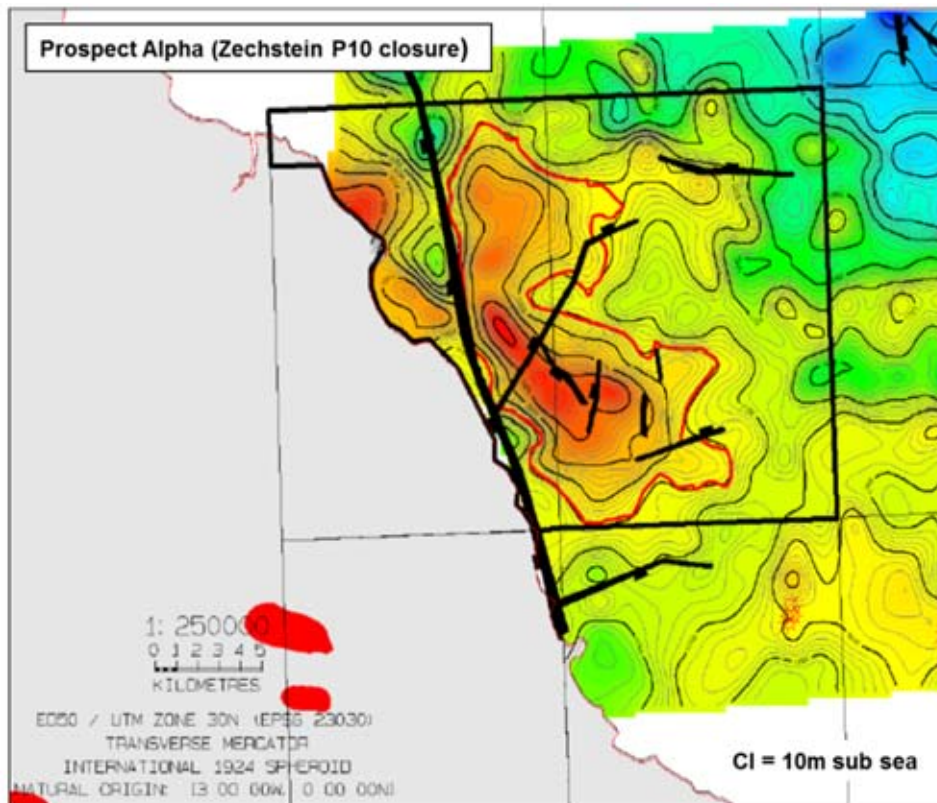
- Large conventional prospect defined on 3D seismic data
- Oil shows in 1.2m sand in 1987 BP crestal well
- Sands expected to thicken down-dip on structure
- Farmed-out 6% interest at 2:1 promote to Union Jack Oil Plc
- Net Egdon Best Estimate Prospective Resources of 7.6 mmbo
- High Estimate Gross Prospective Resources of 25 mmbo invoking stratigraphic trapping potential
- Planning Application to be determined in late January 2015





**"A" Prospect P.1929 (41/18 & 41/19) : Egdon 100% operated**

- 26<sup>th</sup> UK Seaward Licensing Round award in April 2013
- One of the earliest North Sea discoveries, well 41/18-1 (A-339/1-2) drilled by Total in 1966
- Tested gas at 2.5 mmcf/d following acidisation
- Net Egdon Best Estimate Prospective Resources of 160 bcfg (c.25 mmboe), range 40 to 272 bcfg (7- 45 mmboe)
- Anticipated Q1 2015 submission of Planning Application for drilling of appraisal well from onshore to offshore
- Highly attractive economics based on onshore development concept – farm-out during Q1 2015



- Full-year production guidance of c. 195 boepd
- Additional potential drilling at Keddington, Waddock Cross and Kirkleatham could lead to increased production

**Keddington Oil Field PEDL005 (remainder) : Egdon 75% operated**

- Production of 35-40 bopd – wells on natural decline
- Additional development wells being planned

**Ceres Gas Field P.1241 (47/9) : Egdon 10% non-operated**

- Egdon production of c. 0.7-0.9 mmcfg/d expected 2014-15

**Avington Oil Field PEDL070 : Egdon 26.67% non-operated**

- Gross production at >70 bopd = 19 bopd net to Egdon
- 3P Net Egdon Reserves of 0.036 mmbo

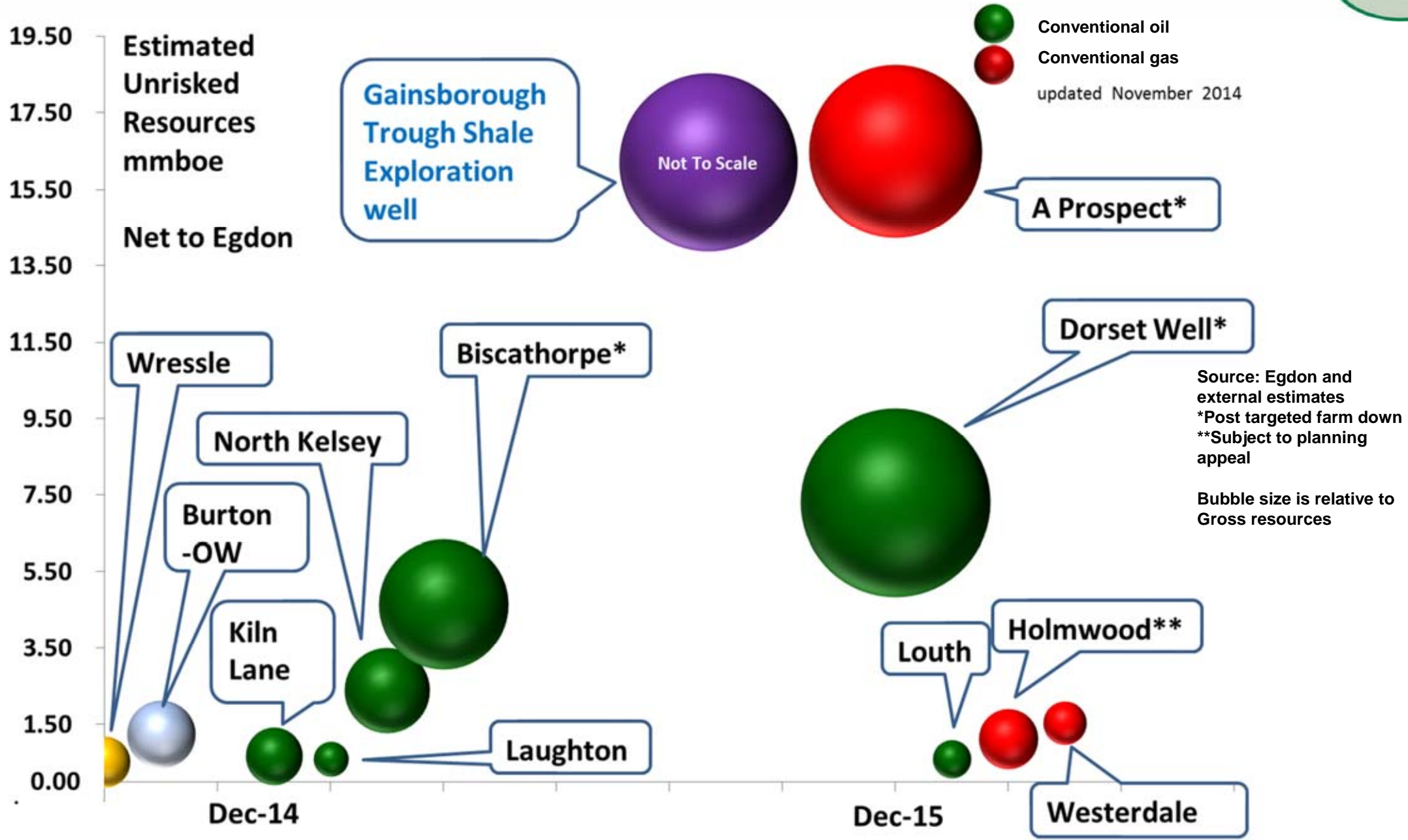
**Waddock Cross Oil Field PL090 : Egdon 55% operated**

- Mapped Oil in Place (“STOIIP”) > 30 mmbo
- Net Egdon 2P Reserves of c. 0.17 mmbo for Phase 1





# Outlook – Timeline & Resources





## Production

- 2014-15 Full-year production guidance of c. 195 boepd
- Further potential drilling at Keddington, Waddock Cross and Kirkleatham could increase production
- Lower oil prices will reduce revenues although bias is to gas production (60:40 gas:oil)

## UK Shale-Gas

- UK shale-gas (and shale-oil) is expected to be an increasing value driver for the business
- 2015 Gainsborough Deep exploration well (key play de-risking well)
- Significant UK shale-gas activity expected in 2015

## Conventional Exploration and Appraisal

- Testing of Wressle-1 discovery well Q1 2015
- Q1 2015 4 well Exploration Drilling Programme (11.1 mmbo Net Egdon )
  - Kiln Lane-1
  - Laughton-1
  - North Kelsey-1
  - Biscathorpe-2
- Q4 2015/Q1 2016 Appraisal well "A" Prospect - 160 bcf (c. 25 mmboe)

## Active Farm-out and Divestment Process

- Continued marketing of farm-outs and divestment of non-core assets

## Summary

- **UK Shale-gas is a key near-term value driver for the business with Egdon being the second largest listed entity involved in UK shale and partnered with IGas and Total in key play with initial carried well anticipated in 2015, subject to planning**
- **Further significant activity in Shale-gas sector during 2015 could assist in de-risking Egdon's acreage**
- **Upgraded unconventional resource assessment to net undiscovered gas initially in place ("GIIP") of 28 trillion cubic feet ("TCF") in 140,000 net acres**
- **14<sup>th</sup> Round awards anticipated in late Q1 2015**
- **UK Conventional Exploration is a near-term growth driver with material conventional exploration news flow from significant 2015 drilling programme including "company maker" size projects**
- **Wressle-1 well test in Q1 2015 will determine commerciality of the discovery**
- **Conventional drilling programme commencing in Q1 2015 (Biscathorpe, North Kelsey, Laughton, Kiln Lane) targeting 11.1 mmbbls net to Egdon**
- **Priority to farm-out and drill the "A" Prospect – 160 bcf gas discovery**
- **Strong balance sheet and new share register improve ability deliver on strategy in challenging market conditions caused by current low oil price**



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