

# Report of the Directors for the year ended 31 July 2005

The directors have pleasure in presenting their report and audited financial statements for the year ended 31 July 2005.

## PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The principal activity of the Group throughout the year was exploration for oil and gas in the UK and France and the development of plans for a gas storage facility.

### Management

Mr Hans Garde-Hansen retired as Chairman on 21 October 2005 and Mr Philip Stephens was appointed on that date as Director and Chairman of the Company. The Board would like to record its thanks for the important role Hans Garde-Hansen has played in the development of Egdon over the last four years.

Mr Mark Abbott, Mr Andrew Hindle, Mr Walter Roberts and Mr John Rix retired by rotation pursuant to Article 93 of the Company's Articles of Association and were re-elected by separate resolutions at the AGM held on 31 January 2005. In the case of Mr John Rix, by virtue of his age, special notice was given of the proposed resolution to re-elect him.

Mr Philip Stephens retired by rotation pursuant to Article 88 of the Company's Articles of Association and was re-elected at the AGM held on 31 January 2005.

### Conversion to Public Company and Admission to AIM.

Following a resolution of the Board dated 15 December 2004 the Registrar of Companies issued a certificate of re-registration of the Company as a public company in anticipation of the Company's application for admission to the AIM. On the same date the Company's name was changed from Egdon Resources (U.K.) Limited to Egdon Resources Plc. On 21 December 2004 the Company was admitted and dealings commenced in the Ordinary Shares on AIM on that date.

### Share Capital

On 15 November 2004 the authorised share capital of the Company was increased to £900,000 divided into 90,000,000 ordinary shares of 1p each. Also on 15 November 2004, Shareholders passed a resolution approving the cancellation of the Company's share premium account which stood at £2,542,589. The cancellation became effective on 8 December 2004 following the registration of an order of the High Court of Justice of England and Wales with the Registrar of Companies in England and Wales. Upon the cancellation becoming effective, the Company's share premium account was reduced to nil and £2,542,589 was credited to the profit and loss account.

On 21 December 2004 the Company completed a placing of 16,666,666 shares at 30p per share. Of these, 15,000,000 were new ordinary Shares, resulting in gross funds received by the Company of £4,500,000. The net proceeds of the placing received by the Company amounted to £4,017,605. Following the placing, the number of issued and fully paid shares increased to 51,594,974.

### Operational Review

During the year the Company continued to develop its portfolio of oil and gas assets in the UK and France. The Company was awarded seven new licences in the 12th Landward Licensing Round and as at 31 July 2005, held interests in nineteen licences covering a total area of 3601 km<sup>2</sup>. Partial licence relinquishments were made for blocks 42/26 and 42/27 in the UK and for St Laurent in France.

The St Laurent licence was subject to a farm-out of 20% of Egdon's interest and the licence has been extended for a further three year period. Egdon assumed operatorship of the PEDL068 licence in North Yorkshire and also increased its equity in PEDL143.

Although the Company did not participate in any drilling activity during the period, active evaluation programmes were undertaken on all key projects and substantive progress achieved.

During the year Portland Gas Limited was incorporated as a wholly owned subsidiary of Egdon Resources Plc. The Company is involved in the proposed development of a gas storage facility in Dorset.

### Outlook

The 2005/06 financial year will be dominated by drilling activity on a number of the Company's oil and gas prospects and by the further development of plans for the Portland gas storage project. The Company anticipates oil production from the Waddock Cross and Avington oil discoveries during the period. The Company will continue to evaluate the exploration and development potential of its licences and will look to strengthen its licence position through active management of its existing portfolio and review of new opportunities within focus areas.

## RESULTS AND DIVIDENDS

The Group made a loss after tax of £420,617 during the year (2004: loss after tax of £246,350). This loss, together with the accumulated deficit of £921,533 brought forward and after an adjustment for the capital redemption of £2,542,589 in respect of the share premium account, leaves accumulated reserves of £1,200,439 to be carried forward as a balance on the Group Profit and Loss account.

The directors do not recommend the payment of a dividend (2004: £nil).

## PAYMENT OF CREDITORS

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 8 (2004: 3) for the Group.

## DIRECTORS AND THEIR INTERESTS

The directors, who served during the year and their beneficial interests in the share capital of the Company at the end of the year, were as follows:

	Ordinary shares of 1p each	
	2005	2004
A Hindle (Joint Managing Director)	6,594,232	7,427,565
M A Abbott (Joint Managing Director)	6,684,806	7,518,139
Non-executive directors:		
P H P Stephens (Chairman) (Appointed 21 October 2004)	100,000	-
H Garde-Hansen (Resigned 21 October 2004)	759,212	844,212
J G R Rix	1,126,333	993,000
W R Roberts	576,750	276,750
K M Ratcliff	25,000	25,000

All directors benefit from the provisions of individual Directors Personal Indemnity insurance policies. Premiums payable to third parties are as described in note 8.

The Company operates a share option scheme entitling certain directors to subscribe at a given subscription price for ordinary shares in the Company. Share options granted to all directors and non-executive directors are detailed in note 8 to the accounts.

**Philip Stephens, MA (Oxon.)** (Non-Executive Chairman from 21 October 2004) (63) is a corporate financier with 37 years of City experience. He is currently non-executive Chairman of Oakdene Homes plc, Neptune-Calculus Income and Growth VCT plc and Economic Lifestyle Property Investment Company Limited. He is also a non-executive director of Business Post Group plc and 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.

**Andrew Hindle, (Joint Managing Director)** (43) 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 U.K. and international exploration and development projects, working overseas from 1990-1994. Subsequently he worked for Anadarko Algeria Corporation from 1996 to 1997. Andrew is also a Director of Geofocus Limited, Toffee Limited, Eskbank Resources Limited and Eskbank Resources (Canada) Ltd.

**Mark Abbott, (Joint Managing Director)** (44) 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 U.K. 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 Director of MA Exploration Services Limited.

**Ken Ratcliff, JP, BSc., FCA,** (Non-Executive Director) (55) is a chartered accountant with extensive finance and business experience. He is currently the accountant at Epsom College and at GDC UK Limited. Ken 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) (71) Following 5 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.

**Walter Roberts**, (Non-Executive Director and Company Secretary) (54) 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 an Executive Director of Pinnacle Energy Limited and a non-executive Director of Bow Valley Petroleum (UK) Limited.

## CORPORATE GOVERNANCE

### The Combined Code

The Directors recognise the value of the Combined Code on Corporate Governance and whilst under the AIM rules full compliance is not required the Directors believe that the Company applies the recommendations in so far as is practicable and appropriate for a public company of its size.

### The Board

The Board comprises of two executive directors and four non-executive directors whose background and experience are relevant to the Company's activities. 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, through the Chairman and executive Directors in particular, maintain regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

The Board meets regularly throughout the year and met 10 times in the year to 31 July 2005. All Directors attended all these meetings. The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management of the Company is devolved to the executive Directors who are 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.

### Audit Committee

The Audit Committee plans to meet at least three times in each year and has met twice since the move to AIM, once in January and once in March 2005. Its members are Ken Ratcliff (Chairman), Philip Stephens and John Rix and all were in attendance at the meetings. In addition, the Chairman met senior representatives of the external auditors during August 2005. The external auditors have unrestricted access to the chairman of the committee.

The Audit Committee reviews the scope and results of the external audit and monitors the integrity of the financial statements of the Company. The Committee keeps under review the necessity for establishing an internal audit function but considers that, given the size of the Company and the close involvement of senior management in day to day operations, there is currently no requirement for such a function. Notwithstanding the absence of an internal audit function, the Committee keeps under review the effectiveness of the Company's internal controls and risk management systems.

### Remuneration Committee

The Remuneration Committee plans to meet at least twice in each year. It has met once since it was set up during the preparations for the move to AIM. Its members are Walter Roberts (Chairman), Philip Stephens and Ken Ratcliff all of whom were in attendance at the meeting.

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 directors and the senior management of the Company. The principal objective of the 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. Non-executive fees are considered and agreed by the Board as a whole.

### 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 Company.

## 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.

## SUBSTANTIAL SHAREHOLDERS

In addition to the shareholders shown under Directors' Interest (page 2), the Company has received notification of the following interests in 3% or more of the Company's issued share capital at 21 October 2005.

Ordinary shares of 1p each	Number	%
Chase Nominees Limited	7,622,558	14.77
Willbro Nominees	4,080,359	7.91
Chase Nominees Limited CMBFLEM Account	3,670,537	7.11

In addition, the Company has been advised of the following beneficial holdings under section 198 of the Companies Act 1985:

Ordinary shares of 1p each	Number	%
Bluehone Investments LLP	5,772,558	11.19
JP Morgan Flemming Mercantile Trust Plc	3,964,907	7.68
Calculus Capital Funds	1,858,950	3.60

## DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that year.

In preparing those 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; and
- state whether applicable accounting standards have been followed, subject
- to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
- The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Company's website in accordance with the legislation in the UK governing the dissemination of financial statements. The maintenance and integrity of the Company's website, including that of the financial statements contained therein, is the responsibility of the Directors.

## POST BALANCE SHEET EVENTS

On the 6 September 2005 the Company was awarded a 50% non-operated interest in a Promote Licence covering North Sea block 15/7 in the UK 23<sup>rd</sup> Seaward Licensing Round.

On the 30 September 2005 notice was given to the DTI to enter into the drilling phase of licences P.1054 and P.1133 covering blocks 42/26 & 42/27 to enable the drilling of the Tees Prospect in which Egdon holds a 10% working interest.

## AUDITORS

Nexia Audit Limited have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

By order of the board

**M A Abbott**  
Director  
21 October 2005

# Nexia Audit

— • Limited • —

## Independent auditors' report to the shareholders of Egdon Resources Plc

We have audited the accounts of Egdon Resources Plc for the year ended 31 July 2005 which comprise the Profit and Loss Account, Balance Sheet and related notes 1 to 28. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

### OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group as at 31 July 2005 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**1 Bishops Wharf  
Walnut Tree Close  
Guildford  
Surrey  
GU1 4RA**

**NEXIA AUDIT LIMITED  
Chartered Accountants  
Registered Auditors**

21 October 2005

**Egdon Resources Plc**  
**Consolidated Profit and Loss Account**  
 FOR THE YEAR ENDED 31 JULY 2005

	<b>Note</b>	<b>2005</b> <b>£</b>	<b>2004</b> <b>£</b>
<b>Turnover</b>	2	11,133	33,457
<b>Cost of sales</b>		(9,674)	(37,406)
<b>Gross profit/(loss)</b>		1,459	(3,949)
Administration expenses		(553,663)	(252,222)
Other operating income		80,877	36,193
<b>Operating loss</b>	3	(451,327)	(219,978)
Interest receivable	4	73,210	8,628
Interest payable	5	(42,500)	(35,000)
<b>Loss on ordinary activities before taxation</b>		(420,617)	(246,350)
Taxation	6	-	-
Retained loss for the year	18	<b>£(420,617)</b>	<b>£(246,350)</b>
<b>Basic and diluted loss per share</b>	23	(0.92)p	(0.72)p

The accompanying notes are an integral part of this consolidated profit and loss account.

There were no recognised gains or losses other than the loss for the year.

The consolidated profit and loss account has been prepared on the basis that all operations are continuing.

# Egdon Resources Plc

## Consolidated Balance Sheet

AS AT 31 JULY 2005

	Notes	2005 £	2004 £
<b>Fixed assets</b>			
Intangible assets	10	2,598,711	1,775,490
Tangible assets	11	2,977	4,160
		2,601,688	1,779,650
<b>Current assets</b>			
Debtors	13	232,859	70,657
Investments	14	2,044,580	-
Cash at bank and in hand		903,965	552,405
		3,181,404	623,062
<b>Creditors:</b> amounts falling due within one year including convertible debt	15	(105,598)	(386,906)
<b>Net current assets</b>		3,075,806	236,156
<b>Total assets less current liabilities</b>		5,677,494	2,015,806
<b>Provision for liabilities and charges</b>	16	(93,500)	(28,800)
<b>NET ASSETS</b>		£5,583,994	£1,987,006
<b>Capital and reserves</b>			
Called up equity share capital	17	515,950	365,950
Share premium account	18	3,867,605	2,542,589
Profit and loss account	18	1,200,439	(921,533)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	19	£5,583,994	£1,987,006

Signed on behalf of the board on 21 October 2005

**M A Abbott**, Director

**A D Hindle**, Director

# Egdon Resources Plc

## Company Balance Sheet

AS AT 31 JULY 2005

	Notes	2005 £	2004 £
<b>Fixed assets</b>			
Intangible assets	10	2,381,494	1,766,093
Tangible assets	11	2,977	4,160
Investments	12	276	176
		<hr/>	<hr/>
		2,384,747	1,770,429
<b>Current assets</b>			
Debtors		498,812	99,244
Investments	13	2,044,580	-
Cash at bank and in hand	14	889,134	540,565
		<hr/>	<hr/>
		3,432,526	639,809
<b>Creditors:</b> amounts falling due within one year including convertible debt	15	(56,324)	(385,656)
		<hr/>	<hr/>
<b>Net Current Assets</b>		3,376,202	254,153
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		5,760,949	2,024,582
<b>Provision for liabilities and charges</b>	16	(93,500)	(28,800)
		<hr/>	<hr/>
<b>NET ASSETS</b>		£5,667,449	£1,995,782
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up equity share capital	17	515,950	365,950
Share premium account	18	3,867,605	2,542,589
Profit and loss account	18	1,283,894	(912,757)
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	19	£5,667,449	£1,995,782
		<hr/>	<hr/>

Signed on behalf of the board on 21 October 2005

**M A Abbott**, Director

**A D Hindle**, Director

**Egdon Resources Plc**  
**Consolidated Cash Flow Statement**  
 FOR THE YEAR ENDED 31 JULY 2005

	Notes	£	2005 £	£	2004 £
<b>Net cash inflow from operating activities</b>	24		(477,125)		(217,323)
<b>Returns on investment and servicing of finance</b>					
Bank and investment interest receipts		73,210		8,628	
Bank interest paid		(42,500)		(35,000)	
			30,710		(26,372)
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		(1,829)		(768)	
Payments to acquire intangible fixed assets		(823,221)		(613,522)	
Receipts from sale of intangible fixed assets		-		106,000	
			(825,050)		(508,290)
<b>Net cash flow before use of liquid resources and financing</b>			(1,271,465)		(751,985)
<b>Management of liquid resources</b> (Increase)/decrease in short term deposits			(2,044,580)		250,584
<b>Financing</b>					
Proceeds from issue of Ordinary shares		4,500,000		675,000	
Costs associated with share issue		(482,395)		(32,500)	
Repayment of Debentures		(350,000)		-	
			3,667,605		642,500
<b>Increase/(Decrease) in cash</b>	25		£351,560		£141,099
<b>Reconciliation of net cashflow to movement in net debt</b>					
Increase in cash in the year		351,560		141,099	
Cash to repurchase debenture		350,000		-	
Cash used to increase/(decrease) liquid resources		2,044,580		(250,584)	
<b>Change in net debt</b>			2,746,140		(109,485)
<b>Net debt at 1 August 2004</b>			202,405		311,890
<b>Net debt at 31 July 2005</b>			£2,948,545		£202,405

# Notes to the Financial Statement

## FOR THE YEAR ENDED 31 JULY 2005

### I. ACCOUNTING POLICIES

#### a) Accounting convention

The financial statements are prepared under the historical cost convention, in accordance with applicable Accounting Standards and the Statement of Recommended Practice: Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities published by the Institute of Petroleum on behalf of the U.K. Oil Industry Accounting Committee ("the SORP").

#### b) Consolidation

The Group's financial statements consolidate the financial statements of Egdon Resources Plc and its subsidiary undertakings, Egdon Resources (New Ventures) Limited and Portland Gas Limited. The results of subsidiaries acquired are consolidated for the periods from which control passed. Acquisitions are accounted for under the acquisition method with goodwill representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, being capitalised within intangible assets and amortised over its estimated useful economic life.

#### c) Turnover

Turnover represents amounts receivable for oil sales and consultancy services net of VAT and trade discounts and is recognised as the goods and services are provided.

#### d) Consortium accounting

The Group's exploration and development activities are generally conducted as co-licensee in joint operation with other companies. The financial statements reflect the relevant proportions of capital expenditure and operating costs applicable to the Group's interest.

#### e) Oil and gas interests

The Group financial statements for oil and gas exploration have been prepared on the full cost basis as set out in the SORP.

Licence acquisition costs, geological and geophysical costs, costs of drilling exploration, appraisal and development wells, and an appropriate share of overheads (including appropriate directors' costs) are capitalised and accumulated in full cost pools within tangible fixed assets on a geographical basis.

Costs relating to the exploration and appraisal of oil and gas interests which the directors consider to be unevaluated are initially held outside the cost pool as intangible fixed assets. These costs are reassessed at each year end and when there are indications of impairment or at the conclusion of an appraisal programme the related costs are transferred to the full cost pool within fixed assets. The Group's oil and gas assets, currently shown in intangible assets, would be held in two cost pools, the UK and France.

An impairment test is carried out at each balance sheet date to assess whether the net book value of the capitalised costs in each pool is covered by the associated recoverable amount, as outlined in FRS 11 "Impairment of Fixed Assets and Goodwill". Impairment losses are recognised in the profit and loss account.

#### e) Oil and gas interests - continued

Depletion is provided on balances held in each pool, plus the expected future costs to extract all commercial oil and gas reserves, using the unit of production method. (Commercial oil and gas reserves are proven and probable oil and gas reserves as defined in the SORP). Depletion is not provided on interests held outside the cost pool.

For material interests, reserve data supplied by operators is used.

#### f) Gas storage development costs

Costs relating to the development of gas storage facilities are capitalised as such within intangible fixed assets. No amortisation will be provided until the storage facility is brought into commercial use. An impairment review is undertaken at the end of each accounting period and any expenditure that is no longer considered recoverable is written off through the profit and loss account.

#### g) Depreciation of other tangible fixed assets

Tangible fixed assets are stated at cost less 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:-

Fixtures and fittings	25% straight line
Computer equipment	33% straight line

#### h) 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 profit and loss account.

#### i) Investments

Fixed asset investments are stated at cost less provision for impairment.

#### j) Deferred taxation

Deferred taxation is provided on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in future is uncertain. Any assets and liabilities recognised have not been discounted.

#### k) 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.

#### l) Convertible debt

Convertible debt instruments are recorded at their fair value net of issue costs.

Finance costs are charged to the profit and loss account at a constant rate of interest on the outstanding amount of debt.

#### m) Liquid resources

Liquid resources represent cash balances held on short term deposit other than those repayable on demand and without penalty.

## 2. TURNOVER

The turnover of the Group for the period has been derived from the sale of oil which has been extracted from wells during the test process. In addition, turnover includes income from consultancy services provided to third parties; this is an adjunct to the principal activity substantially undertaken in the United Kingdom.

### Segmental Analysis

Turnover by class of business:	2005	2004
	£	£
Consultancy	2,887	5,195
Oil sales	8,246	28,262
	<u>£11,133</u>	<u>£33,457</u>

## 3. OPERATING LOSS

Operating loss is stated after charging:

Depreciation of tangible assets	3,012	4,048
Operating lease rentals	17,332	20,000
Auditors' remuneration		
- Audit (including parent company audit of £26,575)	30,575	11,559
- Other (amounts paid to related companies of the auditors)	5,745	4,228
	<u></u>	<u></u>

In addition to the fees paid by the Group to the auditor in respect of other services, £30,645 (2004 - £0) of costs relating to the admission to AIM have been charged to the Share Premium account

## 4. INTEREST RECEIVABLE

Interest receivable on money market deposits	72,754	8,628
Other interest receivable	456	-
	<u>£73,210</u>	<u>£8,628</u>

## 5. INTEREST PAYABLE

Debenture interest - convertible debt	<u>£42,500</u>	<u>£35,000</u>
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With the consent of the debenture holder the conversion date of the debenture was extended as explained in note 15. By agreement, the Company paid the debenture holder £25,000 by way of additional interest in consideration for the grant of this extension.

## 6. TAXATION

### a) Domestic current year taxation

UK corporation tax	2005	2004
	£ -	£ -

### b) Factors affecting the tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax for small companies in the UK 19% (2004 : 19%). The differences are explained below:

Loss on ordinary activities before taxation	<u>£(420,617)</u>	<u>£(246,350)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax for small companies in the UK 19% (2004 : 19%)	(79,917)	(46,807)
Expenses not deductible for tax purposes	7,350	160
Capital allowances in excess of depreciation	(116,655)	(95,816)
Clawback of capital allowances	1,815	-
Losses carried forward	187,408	142,463
	<u>£ -</u>	<u>£ -</u>

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

The group has trading losses to carry forward of £3,566,394 (2004 : £2,676,318) which may reduce future tax charges.

No provision has been made in these accounts for a potential net deferred tax asset of £225,568 (2004 : £171,173) resulting from carry forward trading losses and accelerated capital allowances. A deferred tax asset would only be recognised where there is reasonable certainty that suitable taxable profits will be generated in the future.

## 7. EMPLOYEE INFORMATION

### Number of employees

The average monthly number of employees, including executive directors, during the year was:

	2005 Number	2004 Number
Management and administration	2	2
Direct labour	1	1
	<u>3</u>	<u>3</u>
Employee costs during the year amounted to:	2005 £	2004 £
Wages and salaries	228,647	146,156
Social security costs	85,438	6,402
	<u>£314,085</u>	<u>£152,558</u>

## 8. DIRECTORS' REMUNERATION

### Aggregate remuneration

Directors' remuneration for the year comprised emoluments of £226,328 (2004: £133,500) of which £55,894 was paid to non-executive directors. In addition, £1,430 was paid to Halenika Resources Limited, a Company controlled by the former Non-Executive Chairman H Garde-Hansen, in respect of professional services provided to the Company during the year (2004-£6,500).

No amounts in respect of directors' emoluments have been capitalised during the current or preceding year. Life policy premiums of £5,321 (2004: £2,896) were paid in respect of executive directors and directors indemnity insurance premiums of £2,295 (2004 : £2,280) were paid in respect of all directors. The Company does not currently provide pension arrangements or benefits other than as described above.

### Emoluments of Board Members.

	Salary & Fees £	Benefits £	2005 Total £	2004 Total £
Executive				
MA Abbott	83,750	1,500	85,250	57,000
AD Hindle	83,750	1,434	85,184	57,000
Non Executive				
PHP Stephens	19,444	-	19,444	-
KM Ratcliff	14,250	360	14,610	8,500
JGR Rix	9,500	420	9,920	4,500
WR Roberts	11,500	420	11,920	6,500
H Garde Hansen*	-	-	-	-
	<u>£ 222,194</u>	<u>£ 4,134</u>	<u>£ 226,328</u>	<u>£ 133,500</u>

\*Payments were made to Halenika Resources Limited as noted above.

### Share options

Aggregate emoluments disclosed in the above note do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the Directors. Details of the options which were granted on 14 July 2000 are as follows:

Name of Director	1 August 2004	Exercised	31 July 2005	Exercise price	Expiry date
M A Abbott	250,000	-	250,000	12.5p	20 July 2010
	250,000	-	250,000	15p	20 July 2010
	250,000	-	250,000	17.5p	20 July 2010
	250,000	-	250,000	20p	20 July 2010
A D Hindle	250,000	-	250,000	12.5p	20 July 2010
	250,000	-	250,000	15p	20 July 2010
	250,000	-	250,000	17.5p	20 July 2010
	250,000	-	250,000	20p	20 July 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.

The options are exercisable at any time between the balance sheet date and expiry date detailed above. The market price of the ordinary shares at 31 July 2005 was 52p and the range during the year was 26p to 52p. There are no performance conditions attaching to the options which were granted to the Executive Directors as long term incentives to encourage them to continue their participation in the management of the business.

No options were exercised during the year.

Provision has been made for National Insurance arising on exercise of the above share options of £93,500 (2004: £28,800) as set out in note 16.

## 9. LOSSES ATTRIBUTABLE TO EGDON RESOURCES PLC

The loss for the financial year dealt with in the accounts of Egdon Resources Plc was £345,938 (2004: loss of £247,714). As provided by s230 of the Companies Act 1985, no profit and loss account is presented in respect of Egdon Resources Plc.

## 10. INTANGIBLE FIXED ASSETS

Group	Goodwill	Licence Evaluation Costs £	Development Cost-Gas Storage £	Total £
<b>Cost</b>				
At 1 August 2004	2,856	1,775,490	-	1,778,346
Additions	-	616,193	207,028	823,221
Disposals	-	-	-	-
At 31 July 2005	2,856	2,391,683	207,028	2,601,567
<b>Amortisation</b>				
At 1 August 2004	2,856	-	-	2,856
Charge for the year	-	-	-	-
At 31 July 2005	2,856	-	-	2,856
<b>Net book value</b>				
At 31 July 2005	£ -	£2,391,683	£207,028	£2,598,711
At 31 July 2004	£ -	£1,775,490	£ -	£1,775,490

Goodwill relates to acquisition of shares in Egdon Resources (New Ventures) Ltd.

Additions to licence evaluation costs represent exploration and appraisal costs incurred in the year in respect of unproven properties

Company	Licence Evaluation Costs £
<b>Cost</b>	
At 1 August 2004	1,766,093
Additions	615,401
Disposals	-
At 31 July 2005	2,381,494
<b>Amortisation</b>	
At 1 August 2004	-
Charge for the year	-
At 31 July 2005	-
<b>Net book value</b>	
At 31 July 2005	£2,381,494
At 31 July 2004	£1,766,093

The Company's unevaluated oil and gas interests at 31 July 2005 are its equity interests in licences in onshore and offshore U.K., and through its wholly owned subsidiary Egdon Resources (New Ventures) Ltd, onshore France. These interests are summarised as follows:

### EGDON RESOURCES PLC

#### Onshore U.K.

Licence No.	Operator	Egdon Interest
1 PEDL048	EGDON RESOURCES PLC	45.00%
2 PL090	EGDON RESOURCES PLC	45.00%
3 PEDL068	EGDON RESOURCES PLC	20.00%
4 PEDL069	Sterling Resources (UK) Limited	33.33%
5 PEDL070	Pentex Oil UK Limited	20.00%
6 PEDL071	EGDON RESOURCES PLC	50.00%
7 PEDL072	EGDON RESOURCES PLC	45.00%
8 PEDL110	Sterling Resources (UK) Limited	33.33%
9 PEDL128	EGDON RESOURCES PLC	50.00%
10 PEDL138	Pentex Oil and Gas Limited	50.00%
11 PEDL139	Pentex Oil and Gas Limited	25.00%
12 PEDL140	Pentex Oil and Gas Limited	50.00%
13 PEDL141	EGDON RESOURCES PLC	96.00%
14 PEDL142	EGDON RESOURCES PLC	50.00%
15 PEDL143	Europa Oil and Gas Plc	38.40%
16 PEDL144	EGDON RESOURCES PLC	96.00%

#### Offshore U.K.

17 42/26a	RWE Dea UK Limited	10.00%
18 42/27a	RWE Dea UK Limited	10.00%

## EGDON RESOURCES (NEW VENTURES) LTD

### Onshore France

#### Licence No.

19 St Laurent

#### Operator

Egdon Resources (New Ventures) Ltd

#### Egdon

#### Interest

33.423%

The Company has a 20% equity interest in PEDL068, of which 10% is carried up to the completion of the first well with the Company paying for its full equity share from that point forward. In addition to its equity share of costs the Company also carries the licence costs of Altwood Petroleum Limited on licences PEDL141 (4%), PEDL143 (1.6%) and PEDL144 (4%). The Company bears its equity share of costs on all other licences.

Gross over-riding royalties are payable by Egdon as follows (expressed as a percentage of total production from each licence):

#### To Bow Valley Petroleum (UK) Limited

Production from below the Jurassic: PL090 (2.083%), PEDL072 (1.875%), PEDL048 (2.25%)

Production from the Jurassic or above: PL090 (1.25%), PEDL072 (1.125%), PEDL048 (1.35%)

#### To Yates Company (UK)

PL090 (0.917%)

#### To YCI Resources Limited

Production from below the Jurassic: PEDL072 (0.4585%)

Production from the Jurassic or above: PEDL072 (0.2751%)

Gross over-riding royalties are receivable by Egdon as follows (expressed as a percentage of total production from each licence):

#### From Dorset Exploration Limited

Production from below the Jurassic: PL090 (0.59%), PEDL072 (0.5%), PEDL048 (0.5%)

Production from above the Jurassic: PL090 (0.426%), PEDL072 (0.3%), PEDL048 (0.3%)

The costs associated with the evaluation, planning and development of the Portland Gas Limited gas storage facility on the Isle of Portland have been capitalised under intangible assets.

The Directors have fully considered and reviewed the potential value of these projects and licences. The Directors have also considered the likely opportunities for realising the value of the licences, either by the farm-out of the asset leading to the development of the discovery or by the disposal of the assets, and have concluded that the likely value is in excess of net book value.

## II. TANGIBLE FIXED ASSETS

Group and Company	Fixtures & fittings £	Computer equipment £	Total £
<b>Cost</b>			
At 1 August 2004	4,686	21,636	26,322
Additions	-	1,829	1,829
At 31 July 2005	4,686	23,465	28,151
<b>Depreciation</b>			
At 1 August 2004	3,834	18,328	22,162
Charge for the year	495	2,517	3,012
At 31 July 2005	4,329	20,845	25,174
<b>Net book value</b>			
At 31 July 2005	£357	£2,620	£2,977
At 31 July 2004	£852	£3,308	£4,160

## 12. FIXED ASSET INVESTMENTS

Company	Shares in subsidiary undertakings £
At 1 August 2004	176
Additions	100
At 31 July 2005	£276

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of Registration or Incorporation	Class	Shares held %
<b>Subsidiary undertakings</b>			
Egdon Resources (New Ventures) Ltd	England	Ordinary	100
Portland Gas Ltd	England	Ordinary	100

Egdon Resources (New Ventures) is involved in oil and gas exploration.

Portland Gas Limited was incorporated on 15 February 2005 at which point Egdon Resources Plc acquired the total number of share in issue for £100 par value. Portland Gas Limited is involved in the development of a gas storage facility in Dorset.

### 13. DEBTORS

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
Amounts falling due within one year:				
Trade debtors	122,981	29,099	122,981	28,747
Amounts owed by subsidiary undertakings	-	-	277,773	28,865
Other debtors	66,970	7,683	35,900	7,757
Prepayments and accrued income	42,908	33,875	62,158	33,875
	<u>£232,859</u>	<u>£70,657</u>	<u>£498,812</u>	<u>£99,244</u>

Prepayments include a rent deposit of £13,219 (2004 : £17,625) which would be repayable on termination of the premises lease.

The loans to the subsidiary companies are interest free, unsecured and there are no fixed terms for repayment. Loans to subsidiary companies are not expected to be repaid within the next twelve months.

In addition to the balances disclosed above, accrued income included in the company balance sheet includes £19,250 (2004 : £nil) in respect of amounts due from Egdon Resources (New Ventures) Limited.

### 14. CURRENT ASSET INVESTMENTS

	Group		Company	
	2005	2004	2005	2004
Money Market (Bank) Deposits	<u>£2,044,580</u>	<u>£ -</u>	<u>£2,044,580</u>	<u>£ -</u>

### 15. CREDITORS: amounts falling due within one year

	Group		Company	
	2005 £	2004 £	2005 £	2004 £
Trade creditors	49,240	12,292	40,444	12,292
Amounts due to subsidiary undertakings	-	-	100	-
Other taxes and social security	-	6,673	-	6,673
Accruals and deferred income	56,358	17,941	15,780	16,691
Convertible debt	-	350,000	-	350,000
	<u>£105,598</u>	<u>£386,906</u>	<u>£56,324</u>	<u>£385,656</u>

During the year ended 31 July 2004, the Company issued a convertible unsecured debenture with a face value of £350,000 in favour of Bow Valley Petroleum (UK) Limited. The debenture carried interest at £3,500 per month commencing 31 October 2004, and running up to 31 December 2005, at which date the debenture could be converted into 1,627,907 1p ordinary shares. The Company retained the right to redeem the debenture for cash at face value within the same time frame. By agreement with Bow Valley, expiry of the conversion date was extended until 31 January 2005 and the debenture was subsequently redeemed in full by the Company on 30 December 2004.

### 16. PROVISION FOR LIABILITIES AND CHARGES

Group and Company	National Insurance on share options
At 1 August 2004	28,800
Provision made during the year	64,700
At 31 July 2005	<u>£93,500</u>

The options are exercisable at any time between the balance sheet date and the expiry date as disclosed in note 8. The provision has been calculated using the Employer's National Insurance rate ruling at the balance sheet date.

## 17. CALLED UP EQUITY SHARE CAPITAL

	2005 £	2004 £
<b>Authorised:</b>		
90,000,000 (2004 : 42,500,000) ordinary shares of 1p each	<u>£900,000</u>	<u>£425,000</u>
<b>Called up, allotted and fully paid</b>		
51,594,974 (2004 : 36,594,974) ordinary shares of 1p each	<u>£515,950</u>	<u>£365,950</u>

On 15 November 2004 the authorised share capital of the Company was increased to £900,000 divided into 90,000,000 shares of 1p each. On 21 December 2004 the Company completed a placing of 16,666,666 shares at 30p per share of which 15,000,000 were new ordinary shares of 1p each (nominal value £15,000) issued for a consideration of £4,500,000.

## 18. RESERVES

Group	Share premium account £	Profit and loss account £	Total £
At 1 August 2004	2,542,589	(921,533)	1,621,056
On shares issued in the year	4,350,000	-	4,350,000
Share issue costs	(482,395)	-	(482,395)
Capital redemption	(2,542,589)	2,542,589	-
Loss for the year	-	(420,617)	(420,617)
	<u>£3,867,605</u>	<u>£1,200,439</u>	<u>£5,068,044</u>
Company	Share premium account £	Profit and loss account £	Total £
At 1 August 2004	2,542,589	(912,757)	1,629,832
On shares issued in the year	4,350,000	-	4,350,000
Share issue costs	(482,395)	-	(482,395)
Capital redemption	(2,542,589)	2,542,589	-
Loss for the year	-	(345,938)	(345,938)
	<u>£3,867,605</u>	<u>£1,283,894</u>	<u>£5,151,499</u>

On 15 November 2004 shareholders passed a resolution approving the cancellation of the Company's share premium account which stood at £2,542,589. The cancellation became effective on 8 December 2004 following registration of an order of the High Court of Justice of England and Wales with the Registrar of Companies in England and Wales.

## 19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	2005 £	2004 £
Loss for the year	(420,617)	(246,350)
New shares issued (net)	4,017,605	642,500
	<u>3,596,988</u>	<u>396,150</u>
Movement in shareholders' funds		
Opening shareholders' funds	1,987,006	1,590,856
	<u>£5,583,994</u>	<u>£1,987,006</u>
Group	2005 £	2004 £
Loss for the year	(345,938)	(247,714)
New shares issued (net)	4,017,605	642,500
	<u>3,671,667</u>	<u>394,786</u>
Movement in shareholders' funds		
Opening shareholders' funds	1,995,782	1,600,996
	<u>£5,667,449</u>	<u>£1,995,782</u>

## 20. FINANCIAL COMMITMENTS

At 31 July 2005, the Company had annual commitments under non-cancellable operating leases as follows:

	2005 £	2004 £
		Land and buildings
Expiring within 1 year	-	£20,000
Expiring within 2-5 years	<u>£15,000</u>	-

At 31 July 2005, the Company had estimated commitments under joint operating agreements of approximately £1.2m the majority of which were estimated to fall due within the following 12 months.

## 21. FINANCIAL ASSETS AND LIABILITIES

The activities of the Group are funded out of working capital and do not include the use of derivatives or financial instruments other than cash and term deposits. The Group also has financial instruments in the form of short term debtors and creditors which arise in the normal course of business and are not discounted, offered as security or pledged in any way. In the prior year, short term creditors included a convertible debenture loan as detailed in note 15. Such items are excluded from the disclosures which follow.

The main risks arising from the Group's financial instruments are interest rate risk and, to an immaterial extent, foreign currency risk. Operations during the year were financed through cash resources derived from shareholder subscriptions.

The financial assets of the Group are cash at bank and fixed term bank deposits (money market) all of which were Sterling denominated. These attract interest at rates that vary with bank interest rates. The interest rate profile of the Group's financial assets and liabilities at 31 July was as follows:-

	2005 £	2004 £
Cash at bank at floating interest rates	2,044,580	-
Cash at bank	903,965	552,405

Cash at bank at floating rates consisted of money market deposits which earn interest at rates set in advance from periods of 1-3 months by reference to Sterling LIBOR.

## 22. POST BALANCE SHEET EVENTS

On the 6 September 2005 the Company was awarded a 50% non-operated interest in a Promote Licence covering North Sea block 15/7 in the UK 23<sup>rd</sup> Seaward Licensing Round.

On the 30 September 2005 notice was given to the DTI to enter into the drilling phase of licences P.1054 and P.1133 covering blocks 42/26 & 42/27 to enable the drilling of the Tees Prospect in which Egdon holds a 10% working interest.

## 23. LOSS PER SHARE

	2005 £	2004 £
Net loss for the financial year	(420,617)	(246,350)
Basic weighted average ordinary shares in Issue during the year	45,718,262	34,315,615
Basic loss per 1p ordinary share	Pence (0.92)	Pence (0.72)

The basic earnings per share has been calculated on the loss on ordinary activities after taxation of £420,617 divided by the weighted average number of ordinary shares in issue of 45,718,262 during the period. At the year end options were in place over 2,000,000 shares. No diluted loss per share is presented as the effect of the exercise of the share options would be to decrease the loss per share.

## 24. RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005 £	2004 £
Operating loss for the year	(451,327)	(219,978)
Depreciation	3,012	4,048
(Increase)/decrease in debtors	(162,202)	24,296
Increase/(decrease) in creditors	68,692	(19,856)
Increase/(decrease) in provisions	64,700	(5,833)
	<u>£(477,125)</u>	<u>(217,323)</u>

## 25. ANALYSIS OF CHANGES IN NET FUNDS

	As at 1 August 2004	Cash flow	As at 31 July 2005
Cash at bank and in hand	552,405	351,560	903,965
Debt due within one year	(350,000)	350,000	-
Current asset investments	-	2,044,580	2,044,580
	<u>£202,405</u>	<u>£2,746,140</u>	<u>£2,948,545</u>

## 26. ACQUISITION OF SUBSIDIARY

In the year Egdon Resources Plc acquired Portland Gas Limited as disclosed in note 12. The Group's result for the year has not been split between continuing operations and acquisitions as the acquired subsidiary's transactions are not material to the Group.

# Letter from the Chairman with notice of Annual General Meeting

## EGDON RESOURCES PLC (THE "COMPANY")

(Incorporated and registered in England and Wales with registered number 03424561)

Directors:

Philip Stephens (Non-executive Chairman)  
Mark Abbott (Joint Managing Director)  
Andrew Hindle (Joint Managing 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

10 November 2005

Dear Shareholder,

### **I Introduction**

Notice of the Company's forthcoming annual general meeting to be held on Friday 9 December 2005 ("AGM" or "Annual General Meeting") appears on the following pages.

As you are aware, the last annual general meeting of the Company was held on 31 January 2005, with the result that the Company is proposing to hold two annual general meetings during this calendar year. At the time of the Company's admission to trading to the AIM market of the London Stock Exchange plc (the "IPO"), which was completed during December 2004, it was decided by the Board that the Company should postpone its next annual general meeting to a date following implementation of the IPO, to give the Board an opportunity to invite any new Shareholders of the Company to attend. However, as the Company's accounting period ends on 31 July of each financial year, it is considered more appropriate by the Board for Shareholders to receive the Company's annual report and accounts at this point in the calendar year and the Board intends to convene the next annual general meetings of the Company on this basis for future years.

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

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

#### *Annual report and accounts (Resolution 1)*

Shareholders will be asked to receive the Accounts at the Annual General Meeting. This Resolution requires the approval of a simple majority of those Shareholders voting in person or by proxy.

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

Resolution 2 proposes the re-appointment of Nexia Audit Limited 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. This Resolution requires the approval of a simple majority of those Shareholders voting in person or by proxy.

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

At the last annual general meeting of the Company, each of the Directors (save for Kenneth Ratcliff) retired from office and was reappointed by Shareholders. Article 93.1 of the Company's Articles of Association (the "Articles") requires the nearest whole number to one third (but not exceeding one third) of the Directors (including those who have been in office the longest since their last appointment) to retire from office by rotation at each annual general meeting of the Company. Kenneth Ratcliff and Mark Abbott are retiring by rotation and Resolutions 3 and 4 propose their reappointment. Each Resolution requires the approval of a simple majority of those Shareholders voting in person or by proxy.

#### *Authority to allot shares and disapply pre-emption rights (Resolutions 5 and 6)*

Resolutions 5 and 6 propose to renew the Directors' authority to allot ordinary shares in the Company and to disapply the pre-emption rights set out in section 89 of the Companies Act 1985, as amended, in respect of the allotment of such shares for cash. In accordance with institutional investor guidelines, the Directors' allotment authority contained in Resolution 5 is restricted to allotments of shares up to a maximum aggregate nominal value of £257,974.87, which is equal to the nominal value of one half of the Company's issued share capital, and the pre-emption rights disapplication contained in Resolution 6 is restricted to allotments of shares up to a maximum aggregate nominal value of £77,392.46, which is equal to the nominal value of 15 per cent. of the issued share capital of the Company. These are the same figures as those authorised at the last AGM.

Resolution 5 requires the approval of a simple majority of those Shareholders voting in person or by proxy. Resolution 6 requires the approval of three-quarters of those Shareholders voting in person or by proxy.

### **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 15,307,121 Ordinary Shares (representing 29.67 per cent. of the Company's issued share capital). A form of proxy is included for use at the AGM, which you are asked to complete and return as soon as possible and in any event not less than 48 hours prior to the time appointed for the holding of the AGM on Friday 9 December 2005. 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 03424561)

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Egdon Resources Plc (the "Company") will be held at the offices of Norton Rose, Kempson House, Camomile Street, London EC3A 7AN on Friday 9 December 2005 at 12 noon for the purpose of passing the following resolutions, of which Resolutions 1 to 5 will be proposed as Ordinary Resolutions and Resolution 6 will be proposed as a Special Resolution:

### ORDINARY RESOLUTIONS:

1. To receive the annual accounts of the Company and reports of the Directors and of the auditor for the year ended 31 July 2005.
2. That Nexia 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 Annual General Meeting of the Company at which accounts are laid before the Company, at a remuneration to be determined by the Directors.
3. To re-elect Kenneth Maurice Ratcliff as director who retires by rotation pursuant to Article 93 of the Company's Articles of Association and who, being eligible, offers himself for re-election.
4. To re-elect Mark Anthony William Abbott as director who retires by rotation pursuant to Article 93 of the Company's Articles of Association and who, being eligible, offers himself for re-election.

### SPECIAL BUSINESS

#### ORDINARY RESOLUTION:

5. THAT the Directors be and they are hereby generally and unconditionally authorised, in accordance with Section 80 of the Companies Act 1985, as amended (the "Act"), to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum aggregate nominal amount of £257,974.87, provided that this authority shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, the date falling 15 months following the passing of this resolution, but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements, such authority to be in substitution for any and all authorities previously conferred upon the Directors for the purposes of Section 80 of the Act.

#### SPECIAL RESOLUTION

6. THAT the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985, as amended (the "Act") to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by paragraph (a) of this Resolution as if Section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities (within the meaning of Section 94 of the Act):
  - (a) in connection with a rights issue in favour of the holders of ordinary shares of 1p each in the capital of the Company, or in connection with any form of issue of such securities in which holders are offered the right to participate, in proportion (as nearly as may be) to the respective number of ordinary shares of 1p each held by them, but subject to such exclusions or other arrangements as the Directors consider necessary or expedient in relation to fractional entitlements or legal or practical problems arising in connection with the laws of, or of the requirements of, any generally recognized regulatory body or stock exchange in any territory; and
  - (b) (otherwise than pursuant to subparagraph (a) above) up to an aggregate nominal amount of £77,392.46,

and that this power shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, the date falling fifteen months following the passing of this resolution, such power to be in substitution for any and all other powers previously conferred upon the Directors for the purposes of section 95 of the Act except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot securities in pursuance of such offers or agreements.

Dated 10 November 2005

By Order of the Board  
Walter Roberts  
Secretary

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

#### Notes:

- 1 A member who is entitled to attend and vote at the above Annual General Meeting may appoint one or more proxies to attend and (on a poll) vote on his/her behalf. A proxy need not be a member of the Company. A proxy form for use by members at the Annual General Meeting accompanies this notice.
- 2 The instrument appointing a 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 deposited 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 6 pm on Wednesday 7 December 2005.
- 3 Completion and return of the proxy form does not preclude a member from attending and voting at the Annual General Meeting in person.
- 4 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 12 noon on Wednesday 7 December 2005 shall be entitled to attend the above Annual General 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 12 noon on Wednesday 7 December 2005 shall be disregarded in determining the rights of any person to attend and/or vote at the Annual General Meeting.
- 5 A register of the interests of each Director in shares of the Company and copies of the Directors' contracts of service are available for inspection at the registered office of the Company during usual business hours on any week day (Saturday, Sunday and public holidays excepted) up to and including the date of the Annual General Meeting and then at the place of the meeting fifteen minutes prior to and until the close of the meeting.

# EGDON RESOURCES PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 (as amended) with registered number 03424561)

## 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 Norton Rose, Kempson House, Camomile Street, London EC3A 7AN on Friday 9 December 2005 at 12 noon

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 and 6).

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

ORDINARY RESOLUTIONS	For	Against	Vote withheld	Discretionary
1. To receive the Report and Accounts for the year ended 31 July 2005				
2. To re-appoint Nexia Audit Limited as auditors at a remuneration to be determined by the Directors				
3. To re-elect Kenneth Ratcliff				
4. To re-elect Mark Abbott				
5. To authorise the Directors to allot shares pursuant to section 80 of the Companies Act 1985				
<b>SPECIAL RESOLUTION</b>				
6. To authorise the Directors to disapply pre-emption rights pursuant to section 95 of the Companies Act 1985				

Signature(s) ..... (see note 7)

Date .....

### Notes:

- If you wish to appoint as a proxy a person other than the Chairman of the Meeting (who need not be a member), please delete the words "the Chairman of the Meeting" and insert the name of the other person. All alterations made to this Proxy Form must be initialled by the signatory.
- To be valid, 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 deposited 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 12 noon on Wednesday 7 December 2005.
- 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 6.00 pm on Wednesday 7 December 2005 shall be entitled to attend the above AGM 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 6.00 pm on Wednesday 7 December 2005 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. 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.
- A register of interests of each Director in shares of the Company and copies of the Directors' contracts of service are available for inspection at the registered office of the Company during usual business hours on any week day (Saturday, Sunday and public holidays excepted) up to and including the date of the AGM and then at the place of the meeting 15 minutes prior to and until the close of the AGM.

**Fold 2 here**

**PLEASE  
AFFIX  
POSTAGE  
STAMP  
HERE**

**Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU**

**Fold 1 here**

**Fold 3 here and tuck in**

## DEFINITIONS

'API'	American Petroleum Institute
'bcm'	billions of cubic metres
'bopd'	barrels of oil per day
'Bscf'	billion standard cubic ft
'Contingent Resources'	are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable
'DST'	drill stem test
'EWT'	extended well test
'km <sup>2</sup> /km <sup>2</sup> '	kilometres/ square kilometres
'Low-, Best-, High-estimate'	The term 'Best Estimate' is used here as a generic expression for the estimate considered to be the closest to the quantity that will actually be recovered from the High-Estimate accumulation between the date of the estimate and the time of abandonment. If probabilistic methods are used, this term would generally be a measure of central tendency of the uncertainty distribution (most likely/mode, median/P50 or mean). The terms 'Low Estimate' and 'High Estimate' should provide a reasonable assessment of the range of uncertainty in the Best Estimate
'm'	metre
'mcm'	millions of cubic metres
'MMscf'	millions of standard cubic ft
'MMscf/d'	millions of standard cubic ft per day
'MMstb'	millions of stock tank barrels
'Possible reserves'	are those unproved reserves which analysis of geological and Reserves engineering data suggests are less likely to be recoverable than probable reserves. In this context, when probabilistic methods are used, there should be at least a 10 per cent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable plus possible reserves
'Probable reserves'	are those unproved reserves which analysis of geological and Reserves engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50 per cent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves Prospect a specific un-drilled hydrocarbon trap which has been identified and sufficiently defined for potential hydrocarbon volumes and geological risks to be estimated
'Prospective Resources'	are those quantities of petroleum which are estimated, on a given Resources date, to be potentially recoverable from undiscovered accumulations
'Proved reserves'	are those quantities of petroleum which, by analysis of geological and Reserves engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 per cent probability that the quantities actually recovered will equal or exceed the estimate
'Reserves'	are those quantities of petroleum which are anticipated to be commercially recovered from known accumulations from a given date forward
'Unrisked'	When referring to undiscovered hydrocarbon in place or Prospective Resources associated with a Prospect, volumes which have not been reduced to account for the geologic probability of encountering hydrocarbon in the that Prospect. When referring to Contingent Resources, volumes which have not been reduced to account for the probability of commercial development.