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Egdon Resources plc

Annual Report and Financial Statements
for the year ended 31 July 2022

Egdon Resources plc

is a UK focussed energy company.

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Highlights

A UK focussed energy business

An established UK focused oil and gas exploration and production business with 36 licences in proven oil and gas producing basins

A firm commitment to safety, environmental and social responsibility in all aspects of its operations

A proven operator with an experienced and respected management team

Operational and Corporate

- Egdon net production during the period increased by 160% to 84,894 barrels of oil equivalent ("boe") equating to 233 boe per day ("boepd") (2021: 32,686 boe, 90 boepd).
- Wressle production has significantly exceeded forecast expectations with average gross production during the period of 656 barrels of oil per day (bopd) at rates constrained by the EA Permit limits for gas disposal and with zero water production to date.
- The Ceres gas field is providing a late life renaissance due to the high gas price and low operating costs.
- Following the refusal of planning permission in November 2021 for the drilling of a side-track well, testing and long-term production at the Biscathorpe project, an appeal was submitted in April 2022.
- On 8 March 2022 a revised incentive package was put in place for all employees through the issue of new share options and the cancellation of all historical share options.
- On 14 March 2022, planning permission was refused to extend the existing consents to drill the North Kelsey-1 exploration well and an appeal was submitted in April 2022.
- On 5 April 2022, the Government announced that it had commissioned the British Geological Survey to advise on the latest scientific evidence around shale-gas extraction. Report delivered to BEIS on 5 July 2022.
- During April 2022, Shell advised Egdon of its intention to withdraw from licences P1929 and P2304, containing the Resolution and Endeavour gas discoveries. Egdon applied to the NSTA for an extension of time to complete the 3D seismic programme.

- Egdon has assumed the operatorship of PEDL343, increased its equity to 40% and agreed an extension to 20 March 2024. PEDL343 contains the Cloughton gas discovery.
- Licences PEDL202 and PEDL130 were relinquished during the period.

Financial Performance

- Oil and gas revenues increased by over 530% during the period to £6.91 million (2021: £1.09 million) as a result of significantly increased production and strengthening commodity prices.
- Earnings before interest, tax, depreciation, amortisation, asset impairments, impairment reversals and write-downs were £4.67 million (2021: loss of £0.72 million).
- Post tax profit for the period of £3.30 million including £1.40 million of impairment reversals, £1.80 million of impairments and £0.15 million of write-downs and pre-licence costs (2021: loss of £1.68 million including £0.48 million of write-downs, pre-licence costs and impairments).
- Basic earnings per share of 0.64p (2021: loss per share of 0.51p). Diluted earnings per share of 0.57p (2021: loss per share of 0.51p).
- Net current assets of £4.90 million (31 July 2021: £0.14) of which cash and cash equivalents were £4.80 million (31 July 2021: £1.96 million).
- The Company has no borrowings following the repayment of the £1 million loan during May 2022.

Subsequent Events

- On 8 August 2022 the North Kelsey Planning appeal documentation was submitted.
- On 8 September 2022 the Government announced the lifting of the moratorium on hydraulic fracturing for shale-gas.
- Egdon was advised in October 2022 that the NSTA had consented to Egdon's request for a twelve-month extension to the P1929 licence obligation to acquire the 3D seismic. Egdon will now engage with the NSTA to confirm the detailed expectation in relation to this and subsequent timelines. Should the 3D survey not be acquired by April 2023, P1929 will determine in May 2023. Licence P2304 will be relinquished.
- A hearing was held on 11 October 2022 in relation to the Biscathorpe planning appeal and we now await the Planning Inspector's decision.
- On 27 October 2022 the Government reintroduced the moratorium on hydraulic fracturing for shale-gas.

Outlook

- Post-period-end production and revenues have continued to be strong with unaudited August to October 2022 revenues of £2.07 million.

The key operational focus for the coming period will be:

- Maintaining and enhancing the strong production performance at Wressle whilst progressing both the gas monetisation and Penistone Flags development as priorities.
- To add reserves, production and revenues through the drill-bit in both our exploration and development/re-development projects.
- To progress energy storage, hydrogen and renewable generation projects.

Our Strategy

1

Maintain geographical focus on the UK.

2

Focus on near-term growth in production and revenue through conventional production, appraisal and exploration projects.

3

Develop energy storage, hydrogen and renewable energy projects utilising Egdon's existing assets, knowledge of the UK's onshore geology and core technical skills and operating experience.

4

Maintain our significant portfolio of shale-gas assets.

Committed to the highest standards

Egdon Resources plc wishes to build value through developing sustainable long-term relationships with partners and the community and is committed to the highest standards of health, safety and environmental protection. The Company is committed to its operations being Net Zero by 2050; these targets command equal prominence with Egdon's other business objectives.

Chairman's Statement

PHILIP STEPHENS CHAIRMAN

I am delighted that your Company has been transformed over the past year through growing revenues and with a significantly improved outlook and operating environment.

The highlight of the year has clearly been the outstanding production and financial performance of the Wressle oil field. The year has seen the positive impact of Wressle combined with high oil and gas prices which along with production from our existing fields has translated into a robust financial performance for the Company.

The tragic events in Ukraine and the weaponization of energy by Russia, have seen gas prices in Europe reach unprecedented levels, leading to a renaissance of our Ceres gas field and heralding a renewed focus by governments worldwide on energy security and cost of supply.

The UK Government's Energy Security Strategy has belatedly recognised the importance of UK oil and gas production. The national and local benefits of indigenous oil and gas supplies are clear and even more compelling in the context of the current energy crisis. Without indigenous oil and gas, the UK will simply 'offshore' its emissions, employment, and fiscal benefits and be at the mercy of international energy markets. This culminated in the lifting of the moratorium on hydraulic fracturing for shale-gas by the Government on 8 September 2022. Unfortunately, this was reversed by the incoming Government on 27 October 2022.

Egdon remains well positioned to be at the forefront of any development of shale-gas given its enviable acreage position in the Gainsborough Trough and other shale-gas basins (151,742 net acres (614 km²) and 37.6 TCF gas in place). We will continue to make the scientific, environmental and commercial case that shale-gas should be part of the long-term solution to the UK's energy needs and that this can be done in a safe and environmentally sustainable manner.

The UK is committed by law to reaching Net Zero carbon emissions by 2050 and Egdon has put in place a Climate Change Policy (page 22) to guide and measure Egdon's progress in this critical area. Whilst oil and gas are currently the Company's core focus, we are always looking to the future and are reviewing and progressing a number of opportunities in energy storage, hydrogen and renewable energy spaces and expect to make further progress on these in the coming period.

With these positive developments the Company believes the time is right for the rebranding of Egdon as a modern, forward-looking, energy business and we are pleased to present our new corporate identity and website (<https://www.egdon-resources.com/>).

Financial and Statutory Information

The period has seen a significant strengthening of the financial position of the Company. This has been driven by over a 530% increase in oil and gas revenues during the period to £6.91 million (2021: £1.09 million) as a result of significantly increased production and strengthening commodity prices. The average realised price per barrel of oil equivalent was 144% higher at \$81.40/boe (2021: \$33.35/boe).

Earnings before interest, tax, depreciation, amortisation, asset impairments, impairment reversals and write-downs were £4.67 million (2021: loss of £0.72 million).

The overall profit for the period was £3.30 million including £1.40 million of impairment reversals in relation to Ceres, Kedlington, Avington, Waddock Cross and Kirkleatham, as well as, impairments of £1.80 million in relation to the write down of P1929 and P2304 and write-downs and pre-licence costs of £0.15 million (2021: loss of £1.68 million including £0.48 million of write-downs, pre-licence costs and impairments).

Cash and cash equivalents as at 31 July 2022 were £4.80 million (2021: £1.96 million) and net current assets stood at £4.90 million (31 July 2021: £0.14 million).

The Group has no borrowings (2021: £1.01 million) having repaid a £1 million loan.

Whilst there were no fund-raising activities during the year (2021: £3.35 million), a total of 8,465,000 warrants were exercised during the period resulting in cash of £0.21 million being introduced to the Company. Warrant exercises have continued post year end at an accelerated rate.

Post-period end production and revenues have continued to be strong with August to October 2022 revenues of £2.07 million.

Strategy

The Company's strategy takes account of the challenges and opportunities presented by the UK's move to Net Zero carbon emissions by 2050. This, taken together with the wider economic, political and operating environment which has seen a renewed focus on indigenous energy supplies.

Our strategy has been updated to reflect these realities as follows:

- 1) Maintain geographical focus on the UK.
- 2) Focus on growth in production and revenue through conventional production, appraisal and exploration projects.
- 3) Develop energy storage, hydrogen and renewable energy projects utilising Egdon's existing assets, knowledge of the UK's onshore geology and core technical skills and operating experience.
- 4) Maintain our significant portfolio of shale-gas assets.

Environment and Social Governance, Climate and Emissions

Egdon wishes to build value through developing sustainable long-term relationships with partners and the community and is committed to the highest standards of health, safety and environmental protection. The Company is committed to its operations being Net Zero by 2050. These factors command equal prominence with other business considerations. Egdon has established a Climate Change Policy as detailed in the Corporate Governance Statement. The Board is committed to reducing our emissions from our operations and to monitoring and reporting performance in this area.

Oil and Gas

Egdon holds interests in 36 licences in the UK (2021: 38 licences) with exposure to the full cycle of opportunities from exploration through to development and production.

Production

Production during the period was 233 boepd (2021: 90 boepd), being primarily from Wressle and Ceres as well as contributions from Keddington and Fiskerton Airfield. This production was achieved despite Wressle only recommencing

flow on 19 August 2021 and the Ceres field being shut-in for annual maintenance for 20 days during September 2021 and for all of July 2022.

The standout asset for Egdon during the year has been Wressle (Egdon 30%) where production has significantly exceeded our expectations following the proppant squeeze operation. Production is currently constrained by the Environmental Permit to between 700-725 bopd (210-218 bopd net). We have continued to make progress on both the gas monetisation and planning for the development of the Penistone Flags reservoir which are discussed in more detail in the Operating Review.

The Ceres gas field (Egdon 10%) is undergoing a late-life renaissance for the Company, contributing material revenues and cash flow. A reassessment of the life of field economics has led to the reversal of a previous impairment of £0.507 million during the period and we now expect production to continue through at least to 2024.

Keddington (Egdon 45%) has continued to contribute tangible revenues during this time of high oil prices. A viable drilling location in the east of the field has been identified targeting up to 183,000 barrels of incremental production and this is likely to be drilled during H2 2023.

At Fiskerton Airfield (Egdon 80%) our focus remains on maximising production from the existing wells and managing costs. In the medium term, there is potential for the site to be used to manage any produced water from other Egdon sites through the existing water injection well.

Other key near-term projects identified to increase production and revenues include Waddock Cross (Egdon 55%) and Avington (28%).

At Kirkleatham gas field (Egdon 68%) we are in advanced discussions regarding a potential farm-out of a geophysical programme and a side-track well and remain hopeful of concluding a deal in the near future.

The improving operational and financial outlook for our producing assets has resulted in a reversal of a total of £1.40 million of prior impairments.

Chairman's Statement

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Exploration/Appraisal

Exploration/Appraisal drilling in 2023 is conditional on the outcome of the ongoing planning appeals at Biscathorpe and North Kelsey. A planning hearing was held for Biscathorpe on 11 October 2022 and the appeal documentation for North Kelsey was submitted on 8 August 2022. Decisions for both appeals could be expected around the turn of the year. Biscathorpe and North Kelsey are volumetrically significant with each project having a gross Mean Prospective Resources of 6.5 million barrels.

Following the decision by Shell in April 2022 to withdraw from P1929 and P2304, which hold the Resolution and Endeavour gas discoveries, Egdon quickly put in place a plan to acquire a modified 3D survey in the first quarter of 2023 and requested an extension to the obligations on the licence. The NSTA initially rejected this request and following further representations, has belatedly in October 2022, consented to Egdon's request for a twelve-month extension to the P1929 licence obligation to acquire the 3D seismic. Should the 3D survey not be acquired by April 2023, which is now more than highly challenging, P1929 will determine in May 2023. An impairment of £1.80 million has been made as a result of this expectation of both licences lapsing in the coming period.

During the year Egdon has assumed the operatorship of PEDL343, increasing its interest to 40% and securing an extension to the initial term of the licence to 20 March 2024. The licence contains the Cloughton tight gas discovery, which flowed gas from a number of different reservoirs when flow tested in 1984.

Energy Storage, Hydrogen and Renewables including Geothermal

Egdon has focused on energy transition opportunities which utilise the Company's core skills, knowledge, and operating experience.

Our initial focus has been on the geothermal potential within our existing wells and fields. A programme to plug and abandon the existing Dukes Wood-1 oil well and recomplete it for geothermal heat production has been developed and submitted to the NSTA. It is anticipated that subject to regulatory approval, this work, which is a proof of concept, will now form part of a larger programme of work and commence during 2023. Egdon is working with Creative

Geothermal Solutions Limited (CGSL) on this and other geothermal opportunities.

In parallel, Egdon is also reviewing a number of opportunities for energy storage, hydrogen and renewable generation and hopes to make material progress in relation to these in the coming period. Like the rest of the Egdon portfolio, these projects have been selected to contribute tangible additional value to the Company.

Outlook

Production guidance for the full financial year 2022-23 is 225-245 boepd.

Operationally, our priorities for the coming year are three-fold. Firstly, a focus on maintaining and enhancing the strong production performance at Wressle whilst progressing both the gas monetisation and development of the Penistone Flags. Secondly, looking to add reserves, production and revenues through the drill-bit in Egdon's exploration and development/redevelopment projects. Thirdly, progressing our nascent energy storage, hydrogen and renewable generation opportunities during the coming year.

With both Wressle and Ceres contributing significant cash flow, and the quality of our near-term exploration, appraisal and development opportunities, we can look forward with renewed confidence to the future.

As always, I would like to thank our shareholders for their continued support and the unwavering effort of the Egdon team on behalf of all stakeholders.

Finally, I wish to announce that after seventeen years as your Chairman, I have informed the Board of my wish to retire. A process is in train to recruit my replacement, and this is expected to be completed during the first quarter of 2023. It has been an immense privilege and pleasure to serve on the Board of Egdon and I am pleased that my proposed retirement has coincided with your Company occupying a financially strong, secure and sustainable position. With its projects spanning the energy transition spectrum, I believe shareholders can look forward to Egdon delivering further growth in the years to come.

Philip Stephens
Chairman

7 November 2022

Operating Review

I am pleased to provide shareholders with a more detailed review of the Company's assets, operations and plans with a focus on progress against objectives, key priorities, risks, and potential growth drivers.

Health, Safety & Environment

Egdon is fully committed to high standards of Health, Safety and Environmental ("HSE") management, protection and performance with all operational activity performed under the umbrella of the Group's HSE Management System ("HSEMS"). In line with our approach of continual improvement, the HSEMS is subject to continuing review and revision to ensure it remains fit for purpose. During the reporting period there was one reportable health and safety incident (2021: Nil). This was a hand tool related injury which did not lead to any lasting health issues.

The Company was compliant with all of its environmental permits and planning consents.

Communications

Egdon has today released an updated website (www.egdon-resources.com) which provides stakeholders with up-to-date information on the Company and its operations. Egdon also has a community facing website (www.egdon-community.com) which provides a portal for information related to Egdon's operational sites. Summaries of press releases, non-price-sensitive information and other relevant updates are also shared via the Company's Twitter account (@EgdonResources).

To improve the efficiency of sharing corporate information with shareholders, Egdon is now able to provide the option for electronic communication.

Operating Review

CONTINUED

Progress against objectives

As part of our preliminary results reporting (November 2021) and Interim Results (April 2022) we set out objectives against which I can report on progress

Objective Set	Progress Against Objective
1) Managing our operations to ensure the continued safety of employees, contractors and other stakeholders in response to the evolving COVID-19 situation	<ul style="list-style-type: none"> • Successfully implemented COVID secure procedures and systems with no adverse direct impacts
2) Continuing to carefully manage costs and cash through the current challenging operating and macro-economic environment and ensuring the business is capitalised for the future	<ul style="list-style-type: none"> • Cost saving measures (including salary reductions) introduced during 2021 have been reversed as business outlook has improved • Positive cash flow established through Wressle, Ceres and other production significantly improving financial status of the Company • Company continues to focus on cost-control
3) Finalising the development of the Wressle oil field for production start-up in January 2021 and progressing the proppant squeeze at the Wressle oil field to attain target production of 150 bopd net to Egdon	<ul style="list-style-type: none"> • Production start-up achieved in January 2021 • Proppant squeeze successfully undertaken in July 2021 with coiled tubing completed in August 2021 • Production continues above expectation
4) Continuing to optimise oil and gas production from the Ashover Grit reservoir at Wressle, building on the strong performance to date	<ul style="list-style-type: none"> • Facilities upgraded on site including new gas incineration unit • Production constrained by Environmental Permit limits on gas incineration • No water produced to date
5) Progressing gas monetisation at Wressle	<ul style="list-style-type: none"> • Site micro-turbine to be installed for site power • Up to 1.75 MW of electricity export to private local grid to be progressed
6) Finalising plans for development of the material Contingent Resources in the Penistone Flags at Wressle	<ul style="list-style-type: none"> • Reservoir modelling completed and outline development defined including well types • Final well locations to be defined on reprocessed 3D seismic volume before commencing planning application process
7) Securing planning consent via appeal for the Biscathorpe and North Kelsey projects	<ul style="list-style-type: none"> • Planning Appeal for Biscathorpe submitted in April 2022 and a Planning Hearing was held on 11 October 2022. Outcome awaited • Planning Appeal for North Kelsey submitted in August 2022. Outcome awaited
8) Progressing a farm-out of North Kelsey-1 and Biscathorpe-2Z with a view to drilling during 2022	<ul style="list-style-type: none"> • On hold pending planning appeal outcomes
9) Streamlining the conventional resource portfolio to concentrate on a smaller number of key assets whilst maintaining our position in core unconventional resource assets	<ul style="list-style-type: none"> • Non-core and low prospectivity assets relinquished or licences lapsed • Ongoing review of all assets

Objective Set	Progress Against Objective
10) Progressing the acquisition of the 3D seismic survey over the Resolution and Endeavour gas discoveries in February 2022	<ul style="list-style-type: none"> During April 2022, Shell advised Egdon of its intention to withdraw from licences P1929 and P2304 Egdon was advised in October 2022 that the NSTA had consented to Egdon's request for a twelve-month extension to the P1929 licence obligation to acquire the 3D seismic. Egdon will now engage with the NSTA to confirm the detailed expectation in relation to this and subsequent timelines. Should the 3D survey not be acquired by April 2023, P1929 will determine in May 2023. Licence P2304 will be relinquished
11) Subject to lifting of the current moratorium on hydraulic fracturing operations for shale-gas, progressing the planning and permitting for the drilling and subsequent testing of the Springs Road-2 well	<ul style="list-style-type: none"> Moratorium lifted in September 2022 and then reinstated in October 2022
12) Further developing the Company's energy transition opportunities including repurposing of the Dukes Wood-1 well for geothermal heat	<ul style="list-style-type: none"> A programme to recomplete Dukes Wood-1 for geothermal heat production has been developed and submitted to the NSTA Planned activity in 2023 as part of wider programme of works
13) Progressing drilling plans to target incremental oil production / near field exploration opportunities at the Keddington oil field and field redevelopment at Waddock Cross	<ul style="list-style-type: none"> Reprocessing of the Keddington 3D survey undertaken and ahead of finalising well target Progress made with extending site lease and submission of revised Field Development Plan for Waddock Cross

Assets and Operations

Egdon held interests in 36 licences in the UK at year end (2021: 38) with exposure to the full cycle of opportunities from exploration through to development and production.

Licensing

Highlighted below are key changes to our licence portfolio during and post-period.

Licence	Changes
PEDL343	Licence extended to 20 March 2024, Egdon assumed operatorship and increased equity interest to 40%
PEDL209	Egdon is in the process of increasing its interest to 100% due to withdrawal of other JV parties
PEDL202	Interest in licence relinquished during August 2021
PEDL130	Interest on licence relinquished during July 2022
P1929	To determine in May 2023 if 3D seismic cannot be acquired by April 2023 subject to NSTA discussions
P2304	To be relinquished in Q4 2022

Operating Review

CONTINUED

Production and Development Assets

Production during the period was 233 boepd, (2021: 90 boepd) from Wressle, Ceres, Keddington and Fiskerton Airfield.

Wressle (PEDL180/182: Egdon 30% Interest)

The Wressle Field has been independently audited (2016 Competent Person's Report ("CPR" ERCE) with gross 2P Reserves of 0.62 million barrels of oil ("mmbo") and 2C Resources of 1.53 mmbo.

A proppant squeeze operation on the Ashover Grit reservoir was successfully completed in late July 2021 and the well resumed production on the 19 August 2021. Oil production has significantly exceeded Egdon's expectation. Since production commenced at Wressle-1 in January 2021, the cumulative gross production through to 31 July 2022 has exceeded 225,000 barrels of oil with no formation water produced to date.

Environmental monitoring throughout the proppant squeeze and subsequent production operations has shown no measurable impact on water quality, no associated seismicity and that noise levels have been within the permitted levels.

Over the last twelve months a series of improvements and upgrades to the Wressle site production facilities have been successfully undertaken. The implementation of a two stage gas utilisation scheme is currently being progressed, which will enable the oil production limit to be lifted. For the first stage, we intend to utilise the Ashover Grit gas for electricity generation and export, for which planning is already in place. This will be undertaken in two steps. Initially we will replace the site diesel generator with a gas micro-turbine for site electrical power, and secondly, we will install a separate gas engine to generate and export up to 1.75 MW of electricity into a local private power network.

We expect installation of the microturbine to be completed by year end. In parallel we are expediting the sourcing of a gas engine and equipment for step two and will update on timing once confirmed.

The additional revenue from monetisation of the Ashover Grit gas, together with increased oil production rates will have a positive impact on the value of the Wressle field development.

Stage 2 of the gas monetisation will focus on gas export from the Penistone Flags reservoir.

We are finalising the reprocessing of the Wressle 3D seismic data and interpretation of this will inform the final location of new development wells that will target the Penistone Flags (Gross 1.53 mmbo plus 2 billion cubic feet 2C Resources (CPR, 2016)). Drilling of the Penistone Flags will be progressed at the earliest opportunity, subject to receipt of regulatory and planning consents as we look to build on the successes that have been achieved to date. In addition to the Penistone Flags, any new well will also appraise other reservoirs that were proven hydrocarbon bearing in the Wressle-1 discovery well.

A new CPR will be commissioned to provide updated reserve and resource volumes for the Wressle field.

Ceres (P1241: Egdon 10%)

Ceres gas production during the period has declined to 38 boepd plus 2 boepd of condensate net to Egdon (2021: 58 boepd plus 4 boepd of condensate). The recent strong gas prices make the asset highly economic, and production is now expected to continue through to at least 2024 with abandonment to follow.

Keddington (PEDL005R: Egdon 45%)

Keddington continues to produce at a net rate to Egdon of 15 bopd (2021: 8 bopd) from one well. A technical review of the Keddington field and the surrounding licence area was completed towards the end 2021. The results of this work confirmed that there remains an undrained oil resource located on the eastern side of the Keddington field. Planning consent for further drilling is already in place, and this presents an opportunity to increase production via a development side-track from one of the existing wells. To facilitate confirmation of the target definition and well design planning, Egdon has completed the re-processing of its legacy 3D seismic data. Modelling indicates that a horizontal side-track has the potential to increase the Keddington oil production to between 113,000 barrels and 183,000 barrels. Subject to finalising the sub-surface location, it is planned to drill the well during 2023.

In addition, a near-field exploration opportunity exists at Keddington South, which has a gross Mean Prospective Resource Volume of 635,000 barrels of oil and at the Louth Prospect, with a gross Mean Prospective Resource of 600,000 barrels of oil. It is intended that the Louth prospect would now be accessed from the existing Keddington site.

Fiskerton Airfield (EXL294: Egdon 80%)

Fiskerton Airfield is currently shut-in whilst it awaits a workover programme to reinstate production. Our focus at Fiskerton Airfield remains on maximising production from the existing wells and managing costs. Longer term potential for the site is to use it to manage produced water from other sites through the existing water injection well on site and also for potential geothermal repurposing.

Waddock Cross (PL090: Egdon 55%)

Waddock Cross is currently shut-in. Independent reservoir modelling has shown that a new horizontal well on the field could yield commercial oil production (500-800 bopd). Given the large in-place oil volume (Mean oil in place of c. 57 million barrels of oil) this asset has been high graded by the Company as planning consent and facilities are in place to test this significant opportunity.

Avington (PEDL070: Egdon 28%)

The Avington field remains shut-in. In December 2021, the field operator was advised that planning consent had been awarded on appeal. The forward plan is to undertake a phased scope of works to redevelop the field which includes establishing on site water handling facilities.

Kirkleatham (PEDL068: Egdon 68%)

The Kirkleatham gas field remains shut in. Potential exists for a side-track to access a volume of gas in the attic of the structure. Furthermore, additional upside may exist for a tight gas resource in the underlying Carboniferous. The Company is engaged with a Third Party who has expressed an interest in farming into PEDL068 by undertaking a small geophysical work programme and the drilling of a side-track up dip of the Kirkleatham-4 well. Egdon would be carried through these operations.

Conventional Exploration and Appraisal Assets

The Company continues to progress those conventional resource opportunities that offer maximum impact via the drill-bit.

Key projects are:

Biscathorpe (PEDL253: Egdon 35.8%)

Evaluation of the results of the Biscathorpe-2 well, together with the reprocessing of 264 square kilometres of 3D seismic data identified a possible material and commercially viable hydrocarbon resource remaining to be appraised. The planned side-track would target the Dinantian Carbonate, where a 68-metre oil column was discovered in Biscathorpe-2. The Dinantian Carbonate has been assessed by Egdon to have a gross Mean Prospective Resource volume of 2.55 mmbo. The overlying Basal Westphalian Sandstone has the potential to add gross Mean Prospective Resources of 3.95 mmbo. Commercial screening conducted by Egdon indicates break-even full cycle economics to be US\$18.07 per barrel.

In November 2021, Egdon's planning application to undertake side-track drilling, well testing and long-term oil production was rejected by Lincolnshire County Council (LCC). In April 2022, Egdon submitted an appeal against LCC's decision which was heard by the Planning Inspectorate on the 11 October. We would expect to hear the outcome of the Appeal around the turn of the year.

North Kelsey (PEDL241: Egdon 50%)

The North Kelsey Prospect has been mapped from 3D seismic data and has potential for oil in up to four stacked conventional Carboniferous reservoir targets: the Chatsworth Grit, Beacon Hill Flags, Raventhorpe Sandstone and Santon Sandstone. North Kelsey is geologically analogous to the Wressle field. Egdon has calculated the gross Prospective Resources to range from 4.66 mmbo up to 8.47 mmbo, with a Mean Resource volume of 6.47 mmbo.

Egdon's application to extend the planning consent to drill the North Kelsey prospect was rejected by LCC in April 2022. In August of this year, Egdon submitted an appeal to the Planning Inspectorate with a decision expected early in 2023.

Operating Review

CONTINUED

Resolution and Endeavour (P1929 & P2304: Egdon 30%)

In April of 2022, licence operator Shell advised Egdon and the NSTA that it had decided to withdraw from P1929 and P2304, which cover the Resolution and Endeavour gas discoveries. Shell's technical assessment of the Resolution discovery concluded that it has Gross Mean Contingent Gas Resource volume is in excess of 500 bcf; this is 250 bcf more than the Resolution CPR (2019). Given its considerable size, Resolution has the potential to make a material contribution to the UK's future gas supply. Egdon submitted a request to the NSTA that the licence obligations be extended and responsibility for the commitment work programme over P1929 be transferred from Shell. Unfortunately, the NSTA initially rejected this request, but following further representations has belatedly in October 2022, consented to Egdon's request for a twelve-month extension to the P1929 licence obligation to acquire the 3D seismic. Should the 3D survey not be acquired by April 2023, which is now more than highly challenging, P1929 will determine in May 2023. An impairment of £1.80 million has been made as a result of the expectation of both licences lapsing in the coming period.

Cloughton (PEDL343: Egdon 40%)

Egdon has assumed the operatorship of PEDL343 from Third Energy and has also increased its equity in the Licence to 40%. We have agreed a Retained Area Work Programme with the NSTA that includes an assessment of the conventional and unconventional resource potential. Work is underway to model the risks attached to induced seismicity across the licence area. Cloughton-1, a discovery drilled in 1984 confirmed the presence of gas in a number of low porosity Carboniferous aged sandstone reservoirs.

Shale-Gas

The Group's unconventional resources acreage position in Northern England is 151,742 net acres (614km² net) (2020: 164,280 net acres (664km² net)). This remains a significant and potentially highly valuable position with estimated Mean volumes of undiscovered GIIP of 37.6 TCF net to Egdon, independently assessed by ERCE (2019: 47.6 TCF).

Egdon's core area is the Gainsborough Trough of Nottinghamshire, Lincolnshire and Yorkshire where the Group holds interests in 71,361 net acres (2021: 71,361 net acres).

The results from the 2019 Springs Road-1 well ("SR-01" - Egdon 14.5%) compare favourably with some of the best US commercial shale-gas operations and highlight a potentially world class resource in the Gainsborough Shale. Activity remains paused following the chaotic lifting and then reintroduction of the moratorium on hydraulic fracturing for shale-gas.

Egdon also retains interests in the Widmerpool Basin and Humber Basins of the East Midlands, the Cleveland Basin of NE England and the Blacon Basin of NW England.

Energy Transition Opportunities

The energy transition will present a number of challenges and opportunities for Egdon. The Company recognises the potential for repurposing of its fields, sites and wells for renewable purposes as well as with additional new stand-alone projects in geothermal, hydrogen, energy storage and renewables.

Egdon is also reviewing and progressing a number of opportunities for energy storage, hydrogen and renewable generation and hopes to make material progress in relation to these in the coming period.

Dukes Wood Geothermal

Egdon's initial focus has been on geothermal opportunities within our existing well stock. A detailed review has highlighted an anomalously high geothermal gradient local to our shut-in wells at the Dukes Wood and Kirklington oil fields.

Working with Creative Geothermal Solutions Limited (CGSL) we have developed and submitted to the regulators (NSTA and HSE) a programme of works to plug and abandon the existing Dukes Wood-1 oil well and recomple it for a test programme measuring its geothermal heat production. It is anticipated that work on this proof-of-concept project will commence during 2023 as part of a wider programme of well interventions.

Outlook and Priorities

Initial production guidance for the 2022/2023 financial year is 225-245 boepd from Wressle, Ceres, Keddington and Fiskerton Airfield.

The key operational priorities for the Company during the coming year are:

- Maintaining and enhancing the strong production performance at Wressle whilst progressing both the gas monetisation and Penistone Flags development
- Add reserves, production and revenues through the drill-bit in both our exploration and development/re-development projects
- Progress energy storage, hydrogen and renewable generation projects

Mark Abbott

Managing Director

7 November 2022

Oil and Gas Reserves and Resource Estimates

CLASS OF RESERVE/RESOURCE	PROVEN	PROVEN + PROBABLE	PROVEN + PROBABLE + POSSIBLE	UNITS	FIELD/PROSPECT NAME
Net Oil Reserves	0.27	0.46	0.77	MMbbls	Wressle, Keddington, Fiskerton Airfield, Ceres Condensate, Avington

CLASS OF RESERVE/RESOURCE	LOW ESTIMATE	BEST ESTIMATE	HIGH ESTIMATE	UNITS	FIELD/PROSPECT NAME
Net Oil Contingent Resources	0.81	1.38	2.28	MMbbls	Wressle (Penistone), Waddock Cross
Net Oil Prospective Resources (conventional)	9.63	17.93	30.93	MMbbls	Biscathorpe, North Kelsey, Keddington South, Broadmayne and others

CLASS OF RESERVE/RESOURCE	PROVEN	PROVEN + PROBABLE	PROVEN + PROBABLE + POSSIBLE	UNITS	FIELD/PROSPECT NAME
Net Gas Reserves	0.45	0.77	1.56	Bcf	Ceres, Wressle, Nooks Farm

CLASS OF RESERVE/RESOURCE	LOW ESTIMATE	BEST ESTIMATE	HIGH ESTIMATE	UNITS	FIELD/PROSPECT NAME
Net Gas Contingent Resources	0.55	1.18	2.08	Bcf	Kirkleatham, Wressle (Penistone)
Net Gas Prospective Resources (conventional)	22.94	58.48	127.64	Bcf	Kirk Smeaton, North Somercotes, Cloughton and others
Net Gas Prospective Resources (unconventional)	965.68	2,297.50	5,896.93	Bcf	UK Northern England shale-gas
Total Net Prospective Gas Resources	988.62	2,355.98	6,024.57	Bcf	

CLASS OF RESERVE/RESOURCE	LOW ESTIMATE	BEST ESTIMATE	HIGH ESTIMATE	UNITS
Total Contingent and Prospective Resources	175.31	412.17	1,037.66	Mmboe

United Kingdom Licences Summary

Licences	Operator	Egdon Interest	Area km ²
1 EXL253	Egdon Resources U.K. Limited (Deep Rights)	100.00%	2.90
2 EXL294	Egdon Resources U.K. Limited	80.00%	2.70
3 PL090 (Waddock Cross)	Egdon Resources U.K. Limited	55.00%	19.00
PL090	Egdon Resources U.K. Limited	42.50%	182.98
4 PL161-2	Egdon Resources U.K. Limited (Deep Rights)	100.00%	17.62
5 PEDL001	Egdon Resources U.K. Limited (Deep Rights)	100.00%	11.00
6 PEDL005 (Kedington)	Egdon Resources U.K. Limited	45.00%	7.00
PEDL005 (remainder)	Egdon Resources U.K. Limited	65.00%	16.73
7 PEDL011	Egdon Resources U.K. Limited (Deep Rights)	100.00%	6.00
8 PEDL037	Egdon Resources U.K. Limited (Deep Rights)	100.00%	10.00
9 PEDL039	Egdon Resources U.K. Limited (Deep Rights)	100.00%	3.00
10 PEDL043	Egdon Resources U.K. Limited (Deep Rights)	100.00%	57.00
11 PEDL068	Egdon Resources U.K. Limited	68.00%	35.60
12 PEDL070	Island Gas Limited	28.00%	18.43
13 PEDL118	Egdon Resources U.K. Limited	55.55%	10.54
14 PEDL139	Island Gas Limited	14.50%	100.00
15 PEDL140	Island Gas Limited	14.50%	141.54
16 PEDL141	Seven Star Natural Gas Limited (Infinis Energy)	46.00%	30.00
17 PEDL169	IGas Energy Development Limited	20.00%	62.00
18 PEDL180	Egdon Resources U.K. Limited	30.00%	40.00
19 PEDL181	Europa Oil and Gas Limited	25.00%	159.91
20 PEDL182	Egdon Resources U.K. Limited	30.00%	19.00
21 PEDL191	Egdon Resources U.K. Limited	100.00%	66.00
22 PEDL201	Egdon Resources U.K. Limited	45.00%	80.00
23 PEDL203	Egdon Resources U.K. Limited	55.55%	10.52
24 PEDL209	Egdon Resources U.K. Limited	100.00%	64.11
25 PEDL241	Egdon Resources U.K. Limited	50.00%	55.00
26 PEDL253	Egdon Resources U.K. Limited	35.80%	95.00
27 PEDL273	Island Gas Limited	15.00%	194.65
28 PEDL278	Island Gas Limited	50.00%	38.00
29 PEDL305	Island Gas Limited	15.00%	143.00
30 PEDL306	Egdon Resources U.K. Limited	60.00%	88.50
31 PEDL316	Island Gas Limited	15.00%	111.19
32 PEDL334	Egdon Resources U.K. Limited	60.00%	162.78
33 PEDL343	Egdon Resources U.K. Limited **	40.00%	110.29
34 P1241	Spirit Energy North Sea Limited	10.00%	42.79
35 P1929	Shell U.K. Limited	30.00%	201.51
36 P2304	Shell U.K. Limited	30.00%	164.70

Financial Review

Results

The Group recorded a profit after tax of £3.30 million for the year (2021: loss of £1.68 million) after write-downs/write-backs, impairments/impairment reversals and pre-licence costs amounting in total to £0.56 million write down (2021: £0.48 million write down).

Gross revenue from oil and gas production increased by 532% during the year to £6.91 million (2021: £1.09 million) as a result of a material increase in production and significantly higher commodity prices.

Exploration costs written-off and pre-licence costs amounted to £0.15 million (2021: £0.21 million). Additionally, following on from the normal regular impairment review of asset values, an impairment charge in relation to intangible assets of £1.80 million and an impairment reversal in relation to property, plant and equipment of £1.40 million has been made in the financial statements (2021: £0.27 million).

Cost of sales increases can be explained by the commencement of production at Wressle contributing £0.46 million (2021: £Nil) to direct production costs and £1.27 million (2021: £Nil) to the depreciation charge for the year.

The increase in administrative expenses to £0.91 million (2021: £0.86 million) is largely due to the exchange rate gain of £0.22 million in the current year compared to exchange rate loss of £0.01 million in the prior year. This is offset by the reversal in Q4 2021 of the temporary reduction in salaries introduced across the Group from April 2020 to reduce pressure on Group cash flow caused by the global COVID-19 pandemic and salary increases during 2022 in response to improving trading conditions and by the share options charge of £0.14 million arising in relation to options granted in the year.

The higher finance charge in 2021 was due to the interest charge arising on the loan converted to equity in July 2021.

A taxation credit of £0.89 million (2021: £Nil) arises on the result for the year following the recognition of a deferred tax asset in respect of timing differences. These are expected to reverse against future profits of £1.04 million, offset by a charge of £0.1 million in respect of Energy (Oil and Gas) Profits Levy (EPL) and an income tax charge arising in respect of ring-fenced profits of £0.05 million from Egdon Resources Europe Limited where brought forward trading

losses have been fully extinguished. The EPL is an additional 25% tax on UK oil and gas profits on top of the existing 40% headline rate of tax, taking the combined rate of tax on profits to 65%. The EPL affects profits for the period from 26 May 2022 onwards. Companies are not able to offset previous losses or decommissioning expenditure against profits subject to the levy and so Egdon was not able to utilise its carry forward tax losses of £52.7 million (2021: £56.33 million). The decrease in available losses primarily reflects offset of ring-fenced profits realized in the year against brought forward losses where permitted.

Basic earnings per share for the year was 0.64p (2021: loss per share 0.51p). Diluted earnings per share for the year was 0.57p (2021: loss per share 0.51p).

Statement of financial position

Increased production revenues in the year have enabled the Company to strengthen its cash position. At the year end the Group had net current assets of £4.90 million (2021: £0.14 million) of which £4.80 million was cash and cash equivalents (2021: £1.96 million).

The increased revenues during the year have contributed to an increase of £2.84 million (2021: decrease of £1.11 million) in the year end cash balance.

The net increase in receivables due in less than one year of £0.82 million, excluding deferred tax asset, (2021: decrease of £0.75 million) is largely due to outstanding oil sale revenues at the year end of £0.66 million (2021: £0.1 million) together with an increase in amounts billed to partners and unpaid at the year end arising in the normal course of business. Current and non-current trade and other receivables include a deferred tax asset of £1.04m in respect of accumulated tax losses and other timing differences that are expected to be utilised in the foreseeable future.

Included within trade and other payables in 2022 is an amount of £1.43 million due to joint venture partners in respect of pre-year end oil sales. This is offset by a reduction resulting from the payment of deferred consideration of £0.42 million in the year relating to the acquisition in 2019 of the additional 5% interest in PEDL 180 and PEDL 182.

A further reduction in trade payables of £0.46 million arises due to the normal effect of timing differences of invoices received around the year end.

Other financial liabilities have reduced to £0.11 million due to the repayment of the loan facility held with Union Jack Oil plc of £1.01 million during May 2022 (2021: £1.01 million).

The increase in provisions relates primarily to cost inflation estimates in relation to decommissioning and reinstatement

provisions and to the addition of a provision of £0.61m in respect of NPI payments based on Wressle production due to Valhalla as part of the consideration due on acquisition of the licence.

In line with last year the Directors do not recommend the payment of a dividend.

Key performance indicators

The Board considers both financial and non-financial Key Performance Indicators ("KPI's") in measuring the performance of the business as summarised in the table below.

The board are pleased with the business performance and note the significant positive changes in all financial KPI's driven by increasing production and strong commodity prices.

KPIs	FOR THE YEAR ENDING 31 JULY 2022	FOR THE YEAR ENDING 31 JULY 2021	CHANGE %
Revenues	£6.91 million	£1.09 million	532%
Total Comprehensive Income	£3.30 million	£(1.68) million	296%
Cash and cash equivalents	£4.80 million	£1.96 million	145%
Net Current Assets/(Liabilities)	£4.90 million	£0.14 million	3,400%
Equity	£31.07 million	£27.42 million	13%
Production Volumes	84,894 boe	32,686 boe	160%
No. of Licences	36	38	(5)%
Best Estimate Resources	412 mmboe	424 mmboe	(3)%*
Reportable Health and Safety Incidents	1	0	100%

* The reduction in Best Estimate Resources is due to the expected relinquishments of Resolution and Endeavour.

Risk management

The Board takes into consideration a broad and comprehensive analysis of potential risk factors that may affect the business of the Group. From our current review of those factors the table below identifies the key risks faced by the Group at this time, their potential effect on the Group's business and our strategies to mitigate their impact. The risks listed are not exhaustive and additional risks and uncertainties, not presently identified or considered material by the Group, may arise or become material in the future. Whilst the constituent elements of the overall risk profile may not change significantly over time, the Board continues to assess the weighting to be attached to each of those elements.

Like all exploration and production businesses the Group is exposed to a range of external risks which are, by definition, beyond the Group's control but are regarded as having a potentially high impact upon the business. In addition there are other risks arising through the conduct of the Group's operations that are also identified as having the potential to impact upon the Group's trading.

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 Group's size and using skilled personnel.

A key risk at all times is related to the operational, financial and reputational risk associated with a health, safety or environmental incident in any of the Group's operations. Egdon employs a full-time HSE manager and operates using best practice in all of its operations. The Group also maintains appropriate levels of insurance for all operations to ensure adequate cover in the case of any incident.

With the lifting of the moratorium on hydraulic fracturing for shale-gas on 8 September 2022 and despite the subsequent reversal by the incoming Government on 27 October 2022 the board is of the view that no impairments are required at this time in of the Company's shale-gas related assets.

Financial Review

CONTINUED

External risks & mitigation

Political risk, and the potential volatility within the current climate for detrimental regulatory and fiscal changes presenting a high risk both financially and operationally	Develop sustainable relationships with Government ministries and collaborate with industry bodies to communicate interests to Government authorities. Actively engage with and lobby regulatory bodies. Consult with independent advisors and law enforcement agencies on matters of security. Pursue an adaptable business model to respond to changes in the political landscape. Continue to make the case for the lifting of the moratorium.
Oil and gas price volatility presenting a high risk both financially and operationally	Use range of commodity prices in forecasting. Consider hedging as production volumes and number of fields increase. Maintain low cost of production at existing and future sites.
Delays and refusal of planning permission for operation	Develop professional, well-supported planning applications using highly experienced advisors and consultants. Engage with stakeholders early in process to determine any specific problems and likelihood of a successful outcome. Active community engagement with retained PR consultant to assist in process. Pursue planning appeals as appropriate.
Civil Unrest/Protester Action disrupts drilling/testing operations resulting in an inability to conduct work as planned	Communicate Group's commitment to reducing emissions and participate in the energy transition. Liaison with local police to determine likelihood of problems. Consider security related time and cost overruns on operational issues as part of well design and planning process. Site security measures designed to minimise chance of incursion and disruption. Employ specialist site security commensurate with the assessed risks. Consider the use of injunctions against unlawful protester activity as required.
National and international public health or other emergency impacting business operations	Maintain emergency response plan for office and sites for such events. Ensure IT and other systems enable remote working and business continuity. Ensure contingency within business.

Inherent risks & mitigation

Loss of key staff resulting in operational risks to the business	Maintain competitive remuneration policies to attract and retain staff. Regular review of staff incentive packages by Remuneration Committee.
HSE incident or major well site hydrocarbon leakage resulting in operational, environmental and financial risks	HSE management systems and standards set and monitored across the Group. Maintain comprehensive insurance policies.
Under-performing assets or failure in producing assets representing a financial and operational risk	Range of production forecasting in budget process. Increase number and breadth of producing assets to reduce reliance on single-site performance.
Continued access to sufficient capital to ensure the business remains a going concern	Maintain conservative cash flow forecasts and ensure careful management of costs and commitments to match capital available and expected revenue streams. Ensure continued availability of debt and equity funding as appropriate.

Ken Ratcliff
Chairman of Audit Committee

7 November 2022

Corporate Governance Statement

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

This section serves as our Section 172 statement and should be read in conjunction with the Strategic Report on pages 8 to 20 and the Corporate Governance section on pages 21 to 27.

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in Section 172 of the UK Companies Act 2006 ("Section 172") which is summarised as follows:

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in so doing have regards (amongst other matters) to:

- The likely consequences of any decision in the long-term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly between shareholders of the Company.

The Directors are aware of their responsibilities to promote the success of the Company in accordance with Section 172. Additional training and advice will be provided to the Board as required to ensure continued compliance with these duties.

The Board consider, both individually and collectively, that they have acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in Section 172 of the Companies Act 2006) in the decisions taken during the year ended 31 July 2022.

Long term consequences

In assessing the long term consequences of strategic decisions the Board seeks to engage with all of its stakeholders. The stakeholder voice is brought into the boardroom through information provided by management and also by direct engagement with stakeholders themselves at the AGM and through other forms of communication.

Our key stakeholders are our regulators (NSTA, EA, HSE, Planning authorities), local communities, shareholders, staff, our joint venture partners and our suppliers and contractors. Egdon engages directly with all regulators and as an active member of UKOOG, the onshore oil and gas industry body, engages on strategic matters with Government and regulators. The Company seeks to engage with the communities in which we operate through a dedicated website (www.egdon-community.com) and via Community Liaison Groups (e.g. Wressle, Biscathorpe) and local newsletters. Egdon engages with its shareholders through release of news via RNS, online presentations and roadshows at its interim and preliminary results, the AGM and through responding to calls and correspondence throughout the year.

The Group's strategic objectives underpin all decision-making. Material decisions taken in the year include:

- Continued investment in Wressle development
- Decision to appeal the outcome of planning refusals at Biscathorpe and North Kelsey
- To relinquish or retain certain licences
- To invest in energy transition projects
- To restore and improve staff and Directors remuneration

In making these material decisions, the Board took conscious steps to identify and take account of the potential impact on key stakeholders and concluded the decisions and anticipated outcomes were aligned with promoting the success of the Company for the benefit of its members.

Corporate Governance Statement

CONTINUED

Interest of employees

Due to the size of the Company, Egdon's employees have direct access to both the Executives and Non-executives to raise any issues or concerns. We endeavour to provide safe working conditions which enable employees to perform well and develop their potential. During this year we have continued to ensure safe working practices in line with Government guidance to minimise the risks associated with COVID-19.

Business relationships

We aim to work responsibly with our joint venture partners and suppliers and have anti-corruption and anti-modern slavery clauses where appropriate in our contracts for materials and services.

Impact of operations

Egdon is fully committed to high standards of Health, Safety and Environmental ("HSE") management, protection and performance. A full HSE report is considered at every board meeting. During the reporting year there was one reportable health and safety incident and the Company was compliant with all of its environmental permits and planning consents.

The Company has introduced a Climate Change Policy.

Climate Change Policy

Egdon Resources is a UK focussed energy business. Our vision is to provide locally derived, secure, affordable, and sustainable energy to meet the UK's evolving energy needs. We are committed to attaining Net Zero emissions no later than 2050, in line with the Paris Climate Agreements, with at least a 25% reduction in emissions by 2035. This commitment includes our share of Scope 1 (direct emissions) and Scope 2 (purchase of indirect power) emissions from operated and non-operated assets. This forms part of our commitment to safety, environmental and social responsibility in all our operations.

To achieve this Egdon Resources will:

- Establish time bound targets that support the ambitions of the UN Paris Climate Agreement.
- Identify and pursue opportunities to minimise our carbon footprint and greenhouse gas emissions within our operations.

- Participate with industry and academic partners to evaluate, identify and invest in technology and studies that can help mitigate or offset our emissions.
- Minimise transport direct emissions from operations by focusing on use of local supply chains and product sales and reducing staff travel.
- Communicate with internal and external stakeholders in a transparent manner our climate related performance and our associated governance, risk management and target setting.
- Consider carbon emissions as part of our decision-making process across our asset portfolio to test the robustness of investments against our net zero strategy.
- Incentivise emission reduction opportunities identified by staff and contractors across our business with an emphasis on operational plant efficiency.
- Any new developments will be low carbon by design.

Responsibility for climate change matters rests with the Egdon Resources Board of Directors and the Managing Director. Performance against emission targets will be reviewed on a half-yearly basis.

This policy will be continually reviewed and updated alongside the company strategy as our understanding of climate related risks, new technologies and associated regulations evolves.

Maintaining reputation

The Board is committed to ensuring that Egdon maintains a high standard for business conduct across all aspects of the business and with all stakeholders.

Papers prepared by management for Board approval will highlight relevant stakeholder issues to be considered as part of the decision making.

Acting fairly

The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board will seek to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.

Corporate governance

The Directors recognise the importance of sound corporate governance and are committed to maintaining the highest standards of corporate governance. As a company whose shares are traded on AIM, the Board has adopted and complies with the Quoted Companies Alliance's Corporate Governance Code ("the QCA Code"). In addition, the Directors have adopted a code of conduct for dealings in the shares of the Company by Directors and employees. Philip Stephens, in his capacity as Non-executive Chairman, has assumed responsibility for ensuring that the Company has appropriate corporate governance standards in place and that these requirements are followed and applied. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders and that shareholders can express their views and expectations for the Company in a manner that encourages open dialogue with the Board. The Board recognises that its decisions regarding strategy and risk will affect the corporate culture of the Company as a whole and in turn the performance of the Company. The Board is very aware that the tone and culture set by the Board will determine the nature of the Company as a whole and the way that employees behave. A large part of the Company's activities is centered upon what needs to be an open and respectful dialogue with investors, whether they be individuals or corporate. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does.

The Board reviews investor engagement, public relations and health and safety performance as a routine part of every board meeting to ensure these cultural objectives and the principles defined in QCA code principles 2 to 4, 8 and 10 are being met. The Board currently consists of six Directors, of whom two are Executive and four are Non-executive. The Board believes that the shareholdings of Non-executives are not large enough to render them not independent and that all

Non-executive Directors are independent. The Board is conscious that some Non-executive Directors have served for a significant number of years but believes that their independently professional background qualifications and the arms' length nature of the working relationships between the Non-executive Directors and the Executive Directors means that this does not compromise their independence.

The Board continues to consider whether it would be appropriate to seek to appoint additional Non-executive and/or Executive Directors but currently believes that appropriate oversight of the Company is provided. This view will continue to be reviewed by the Board. The Board has appointed Philip Stephens as Chairman. The Board believes that the presence of other senior Non-executive Directors means that the roles of Chairman and senior independent Director are adequately separated. Philip Stephens has advised the board of his wish to retire. The entire board will be involved in the process of appointing his successor.

The Board meets regularly throughout the year. The table below shows the number of meetings held and the individual Director attendance. Board meetings typically take half a day with one day of preparation time per meeting. The Non-executive Directors are contracted for seventeen days per year and the Executive Directors are full-time. The Directors undertake a formal process to evaluate the functioning of the Board which is undertaken on an annual basis via an anonymous questionnaire process and a follow up call with any issues or recommendations reported and actions identified to address these.

The latest review undertaken in September 2022 and concluded that the Board was generally functioning well and identified key areas of focus and improvement for the coming period.

The Board was able to resume holding most of its meetings in person and has met regularly throughout the year. The table below shows the number of meetings held and the individual director attendance.

Corporate Governance Statement

CONTINUED

	BOARD	AUDIT COMMITTEE	REMUNERATION COMMITTEE	WARRANTS COMMITTEE
Meetings held during the year to 31 July 2022	10	2	2	5
<i>Executive Directors</i>				
Mark Abbott	10	–	–	5
Martin Durham	10	–	–	–
<i>Non-Executive Directors</i>				
Philip Stephens	10	2	2	–
Tim Davies	9	–	–	–
Ken Ratcliff	10	2	2	–
Walter Roberts	10	–	2	5

¹ The Board has not established a Nominations Sub-Committee because, with only six Directors, it is believed that the duties of a Nominations Sub-Committee should be carried out by the full Board.

² The Board established a Warrants Sub-Committee to deal with the administration of issuing shares pursuant to the exercise of warrants which had been issued as part of the fund raising in July 2021. Although all Directors are members, meetings are expected usually to be held by just two members. Meetings of the Sub-Committee have either been held in conjunction with a meeting of the full Board or held by Internet Video Conference.

The QCA Code sets out 10 principles which should be applied. These are detailed on the Company's website (www.egdon-resources.com/corporate-governance) and listed below together with a short explanation of how the Company applies each of the principles:

QCA Code Principle	What Egdon does and why
1. Establish a strategy and business model which promote long-term value for shareholders	<p>Egdon's strategy is explained fully within the Strategic Report section on pages 8 to 20 of the Report and Financial Statements for the year ended 31 July 2022.</p> <p>Our strategy is focused around four near term objectives as detailed on page 9 of the Strategic Report.</p> <p>The key risks to the business and how these are mitigated are detailed on pages 19 to 20 of the Report and Financial Statements for the year ended 31 July 2022.</p>
2. Seek to understand and meet shareholder needs and expectations	<p>The Board is committed to investing all resources in the Company and accordingly intends to defer payment of any dividends until such time as the portfolio of assets is self-sustaining.</p> <p>Egdon encourages two-way communication with both its institutional and private investors and responds quickly to all queries received. The Chairman, Executive Directors and senior managers talk regularly with the Company's major shareholders and analysts and invite them to presentations immediately following publication of both the interim and final results. They then ensure that investors' views are communicated fully to the Board.</p> <p>Research is made available through the Company's brokers and through Edison Investment Research Limited to ensure that a non-introspective viewpoint is also available to private and institutional investors alike.</p> <p>The Board recognises the AGM as an important opportunity to meet private shareholders. The Board encourages open questioning and sought shareholder questions in advance of the last closed AGM via email/internet.</p> <p>Where voting decisions are not in line with the Company's expectations the Board will engage with those shareholders to understand and address any issues. The Chairman is the main point of contact for such matters.</p> <p>The largest shareholders, Petrichor Partners LP and Harbour Energy plc do not currently have a seat on the Board.</p>

QCA Code Principle	What Egdon does and why
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	<p>Egdon is fully committed to safe and environmentally sensitive working in all aspects of its business and all communities in which it operates. This is evidenced and underpinned by the detailed work done with HSE on all operations and the pride with which the Board was again able to record only one reportable health, safety or environmental incidents during the year to 31 July 2022.</p> <p>Egdon encourages feedback at the AGM and at other times from investors and the public at large. We utilise social media such as Twitter® to communicate Egdon and UK onshore industry news and we closely monitor responses on this and bulletin boards.</p>
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	<p>Risk Management on pages 19 to 20 of the Report and Financial Statements for the year ended 31 July 2022 details risks to the business, how these are mitigated and the change in the identified risk over the last reporting period.</p> <p>The Board formally reviews, reclassifies and tabulates the principal risks to the business on a regular basis and any update is reported at each board meeting. Whenever a change to the business environment is identified the Board considers whether this affects any particular risk or mitigation strategy.</p>

Maintain a dynamic management framework

QCA Code Principle	What Egdon does and why
5. Maintain the board as a well functioning, balanced team led by the chair	<p>The Company is controlled by the Board of Directors. Philip Stephens, the Non-executive Chairman, is responsible for the running of the Board and Mark Abbott, the Managing Director, has executive responsibility for running the Company's business and implementing strategy.</p> <p>All Directors receive regular and timely information on the Company's operational and financial performance. Board Papers are circulated to all Directors in advance of meetings, together with other relevant information. In addition, minutes of the meetings of the Directors are circulated to the Directors for review and correction before being tabled for signature by the Chairman at the next meeting. All Directors have direct access to the advice and services of the Company Secretary and can take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.</p> <p>The Board comprises two Executive Directors and four Non-executive Directors. The Board considers that all Non-executive Directors bring an independent judgement to bear and that their various backgrounds foster consideration of many viewpoints.</p> <p>The Board meets at least eight times per annum. It has established an Audit Committee and a Remuneration Committee, particulars of which appear hereafter. The Board agreed that appointments to the Board are made by the Board as a whole and so has not created a Nominations Committee.</p>

Corporate Governance Statement

CONTINUED

QCA Code Principle	What Egdon does and why
6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	<p>Audit Committee and Report</p> <p>An Audit Committee has been established and currently comprises Ken Ratcliff (Chairman) and Philip Stephens. 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 senior management. The external auditor has 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 and did so twice in the year to 31 July 2022. Matters of audit planning, accounting judgement and audit risks were considered by the committee during the year and in their meeting with senior representatives from the Company's auditors.</p> <p>The Chairman of the committee, Ken Ratcliff, advised the Board of the outcome of the committee's deliberations and remains available for direct approach from the auditors should that be necessary.</p>
	<p>Remuneration Committee and Report</p> <p>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 Group. 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. 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 to consider salary increases for Executive and Non-executive Directors and did so twice in the year to 31 July 2022, there were various ad-hoc discussions between members during the year, usually as part of main Board meetings. During the year the committee agreed to reversing the 20% salary reduction imposed during COVID-19 and to a 10% increase to the remuneration of for Executive and Non-executive Directors and senior management, which is detailed in Note 7 of the Financial Statements.</p> <p>The Non-executive Directors are contracted to provide more time to the Company than in practice has been needed and no significant lack of availability has been identified.</p>
	<p>The Board believes that between the Directors there should be a complete range of current relevant experience. It also believes that its members should have as full a variety as possible of personal attributes and experience. The extent to which any prospective Director adds to this is an essential part of the appointment process.</p> <p>The Board as a whole has regular briefings, training and refresher seminars in respect of Corporate Governance matters including the AIM Rules and Market Abuse Regulations.</p> <p>Individual Directors are active in other businesses and activities relevant to their specific skills and attend ad-hoc training, seminars and conferences. The Board is aware of the gender imbalance of the current Board and will look to address this matter over time.</p>

QCA Code Principle	What Egdon does and why
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	<p>The Board carries out an evaluation of its performance annually, taking into account the Financial Reporting Council's Guidance on Board Effectiveness.</p> <p>All Directors will undergo a performance evaluation before being proposed for re-election to ensure that their performance is and continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.</p> <p>All continuing Directors stand for re-election at least every 3 years.</p>
8. Promote a corporate culture that is based on ethical values and behaviours	<p>The Board recognises that its decisions regarding ethics, strategy and risk will determine the whole corporate culture of the Company and that this will in turn determine the long-term performance of the Company. The Company's success relies on establishing and maintaining a relationship of trust and respect with Government and its various national and local agencies, the HSE, local people in its areas of operations and its industry partners and contractors. The Board is therefore resolved to ensure that sound ethical values and behaviour are core to the culture of the Company.</p> <p>The Company has adopted, with effect from the date on which its shares were first admitted to AIM, a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM, and is in accordance with rule 21 of the AIM rules. The Chairman and the Company Secretary are responsible for administering the code and have always adopted a conservative approach in doing so.</p>
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	<p>This Corporate Governance Statement details the Company's governance structures and why they are appropriate and suitable for the Company.</p>

Build trust

QCA Code Principle	What Egdon does and why
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<p>Egdon encourages two-way communication with both its institutional and private investors and endeavours to respond quickly to all queries received. The Chairman and the Managing Director talk regularly with the Company's major shareholders and invite them to presentations immediately following publication of both the interim and final results. They then ensure that investors' views are communicated fully to the Board.</p> <p>Research is made available through the Company's brokers and through Edison Investment Research Limited to ensure that a non-introspective viewpoint is also available to private and institutional investors alike.</p> <p>The Board recognises the AGM as an important forum to meet private shareholders. The Chairman has a record of allowing wide-ranging discussion at the AGM even when not germane to the resolution being discussed. The AGM invariably includes a presentation by the Managing Director and others on developments which have occurred since the Annual Report went to press. All such presentations are also made available via Egdon's website www.egdon-resources.com.</p> <p>Investors also have access to current information on the Company through its website and via Mark Abbott (Managing Director) Martin Durham (Technical Director) and James Elston (Director of Egdon Resources U.K. Limited) who are available to answer investor relations enquiries.</p>

Board of Directors

Philip Stephens

Non-Executive Chairman

(appointed 21 October 2004)

Philip retired from the City in 2002 after nearly 40 years working in UK Corporate Finance for various financial institutions including Lazards, Chase Manhattan and UBS where he was head of UK Corporate Finance. Since 2002 Philip has served on the boards of many companies as a non-executive director, mostly as chairman, and brings significant corporate governance and corporate finance skills and experience to the Board.

Martin Durham

Technical Director

(appointed 8 January 2019)

Martin graduated from the University of Wales in 1978 with a Bachelor of Science Degree in Geology and also holds a Master of Science Degree in Petroleum Geology from Imperial College, London University (1982). Martin has significant industry experience gained through companies including the Louisiana Land and Exploration Inc, LASMO Plc, Eni and Northern Petroleum Plc. Martin was a founding director of Union Jack Oil Plc a position he held until his appointment to Egdon in September 2014. Martin is a Fellow of the Geological Society of London and in 2012 he was awarded Honorary Life Membership of the Petroleum Exploration Society of Great Britain (PESGB). Martin is a past President of the PESGB (2019).

Mark Abbott

Managing Director

(appointed 26 August 1997)

Mark is a founding Director of Egdon Resources plc. He worked for the British Geological Survey from 1985 to 1992, British Gas Exploration and Production Limited from 1992 to 1996 and Anadarko Algeria Corporation from 1996 to 1997. He is a council member of UKOOG and a trustee of the UK Onshore Geophysical library. He is also a director of MA Exploration Services Limited and Bishopswood Pavilion Limited. Mark is an experienced geoscientist and project manager with in-depth knowledge of the Company's assets. He has significant experience in all aspects of running an AIM listed oil and gas business.

Walter Roberts

**Non-Executive Director
and Company Secretary**
(appointed 30 July 2001)

Walter is a highly experienced 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. He is an executive director of Pinnacle Energy Limited. Walter provides a wealth of knowledge and experience in both company law and the legal and commercial aspects of the oil and gas business.

Ken Ratcliff

Non-Executive Director
(appointed 30 July 2001)

Ken is a chartered accountant. Ken was non-executive Chairman of Infrastrata plc and has previously held senior management positions with GDC UK Limited, Ensign Geophysics Limited, Seismic Geocode Limited, Tenneco Corporation and Merlin Geophysical Limited. Ken is a JP and has been a long serving Presiding Justice and Tier 1 Judge in the Family Court. He currently serves as a director and trustee of the Phyllis Tuckwell Hospice. Ken's extensive business and finance experience and knowledge provides oversight of the accounting and financial functions of the business.

Tim Davies

Non-Executive Director
(appointed 12 April 2019)

Tim has extensive knowledge in respect of both the technical and commercial aspects of the oil and gas sector having helped shape Premier Oil's North Sea exploration strategy and evolution through significant organic and inorganic growth. He has also held global new ventures roles with Conoco, Hess, Premier Oil and Harbour Energy. At Premier, Tim was closely involved with the Catcher and Zama discoveries and developments. A qualified non-executive director, with over 28 years of experience in the oil and gas business as geoscientist and manager. Tim utilises his extensive subsurface knowledge to provide technical oversight for the business.

Directors' Report

The Directors submit their report together with the audited consolidated financial statements of Egdon Resources plc for the year ended 31 July 2022.

Principal activity and business review

The principal activity of the Group during the year continued to be exploration for and production of hydrocarbons in the UK.

A review of the business is given in the Operating Review within the Strategic Report.

Health, safety and environmental

The Company wishes to build value through developing sustainable long-term relationships with partners and the community and is committed to the highest standards of health, safety and environmental protection; these aspects command equal prominence with other business considerations.

During the reporting period there was one reportable health and safety incident (2021: Nil). This was a hand tool related injury which did not lead to any lasting health issues.

Results and dividends

The Group recorded a profit after tax of £3.30 million for the year (2021: loss of £1.68 million).

In line with last year, the Directors do not currently recommend the payment of a dividend.

Share capital

At the date of this report 525,242,031 Ordinary shares are in issue and fully paid (2021: 516,777,031). During the year 8,465,000 Ordinary shares were issued through the exercise of warrants (2021: 115,228,000 Ordinary shares were issued and 73,233,406 Ordinary shares were issued through the conversion of loan notes).

Substantial shareholders

As of the date of this report the Company had been notified of the following interests of 3% or more in the Company's Ordinary share capital:

Shareholder	%	% SHARES
Petrichor Partners, LP		43.76%
Harbour Energy plc		8.41%
Patrick Evershed CBE (and family accounts)		5.93%
Hargreaves Lansdown Asset Mgt		5.60%
Union Jack Oil plc		3.13%

No Directors hold 3% or more in the Company's share capital.

Directors

The Directors of the Company who served in the year, and their biographical summaries, are given on pages 28 to 29.

The Directors' remuneration is detailed in Note 7 to the financial statements. All Directors benefit from the provision of Directors' and Officers' indemnity insurance policies. Premiums payable to third parties are described in Note 7.

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 22 to the financial statements.

Employees

The Group had 11 employees as at 31 July 2022 (2021: 11). Employees are encouraged to directly participate in the business through a share option scheme. Details of the share option scheme are given in Note 8 to the financial statements.

Future developments

Future developments are disclosed in the Operating Review set out on pages 7 to 13.

Auditor

A resolution to reappoint the auditor, CLA Evelyn Partners Limited (formerly known as Nexia Smith & Williamson Audit Limited), will be proposed at the forthcoming Annual General Meeting.

Going concern

Having completed their going concern assessment the Directors have concluded that it remains appropriate to prepare the financial statements on the going concern basis. Further detail is given in Note 2.

Subsequent events

Note 33 refers to the subsequent events that the Directors consider to be relevant to the financial statements.

Disclosure of information to the auditor

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 auditor was 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 audit information and to establish that the Company's auditor was aware of that information.



Mark Abbott
Managing Director

7 November 2022

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Group Strategic Report, 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 elected to prepare the Group and Parent Company financial statements in accordance with UK-adopted international accounting standards. 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 of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international 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 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 also responsible for ensuring that they meet their responsibilities under the AIM Rules.

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 financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Egdon Resources plc

Opinion

We have audited the financial statements of Egdon Resources plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 July 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Carrying value of unconventional assets

We draw attention to Note 14 to the Financial Statements ("Intangible Fixed Assets"), which describes the uncertainties the group is facing as a result of the UK moratorium on hydraulic fracturing. The carrying value of the exploration and evaluation assets affected by the UK moratorium is £16.3m. Management has considered the recoverability of the exploration and evaluation assets on the basis that this moratorium will be lifted in the future, but there is uncertainty around this outcome and should the moratorium not be lifted the carrying value would become impaired. Our opinion is not modified in respect of this matter.

Key audit matters

In addition to the matter described in the Emphasis of Matter section above we identified the key audit matters described below. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Members of Egdon Resources plc

CONTINUED

Key audit matter	Description of risk	How the matter was addressed in the audit
Carrying values and impairment of exploration and evaluation costs and development and production assets	<p>The group's net assets as shown on its Statement of Financial Position exceed the current market capitalisation of the Group, which could indicate that the exploration and evaluation, and the development and production assets are impaired in value.</p> <p>The group's impairment assessments require significant judgement, in particular regarding recoverable reserves, production profiles, commodity prices, costs of production, discount rates and sensitivity assumptions.</p>	<p>We challenged the assumptions used in the impairment models described in Notes 2 (Accounting policies – judgements and estimates), 14 (exploration and evaluation costs) and 15 (development and production assets). As part of our procedures we:</p> <ul style="list-style-type: none"> assessed if the directors' impairment models are consistent with the requirements of IFRSs and whether all relevant assets had been subject to review; for development and production assets, compared forecast future production with historical trading performance and in particular considering production volumes and costs of production; assessed the appropriateness of the key assumptions, the most significant of these being costs of production, future commodity prices, discount rates and reserves; assessed if the outcome of the impairment reviews had been properly reflected within the financial statements; reviewed the directors' assessment of the carrying value of the unconventional assets and the uncertainty over the government moratorium on hydraulic fracturing; considered whether the disclosures in respect of the government moratorium are appropriate, and whether the treatment and disclosures are consistent with other investors in unconventional assets in England.

Key audit matter	Description of risk	How the matter was addressed in the audit
Revenue recognition	The group's revenue is self-billed by the group's customers. There is a risk that the revenue may be incomplete or that the revenue received may be inconsistent with the actual production.	<p>The group's revenue recognition policy is stated in Note 2 to the financial statements under the heading "Revenue and other operating income". As part of our procedures:</p> <ul style="list-style-type: none"> • for recorded revenues from gas sales, we reviewed the client's reconciliation of production records to sales records and confirmed that the reconciliation agreed to relevant supporting information; • for each field on production in the year, we agreed recorded revenue to the customers' self-bills and confirmed that the self bills covered the entire reporting year.
Carrying values and impairment of the parent company's investment in its subsidiaries and balances due to the parent company from its subsidiaries	<p>Due to accumulated losses incurred by the subsidiaries of the parent company, the value of investments held by the parent company in those subsidiaries and the value of receivables due to the parent company from those subsidiaries may not be recoverable. This could lead to impairment in these asset values on the parent company's Statement of Financial Position.</p> <p>As described in Note 2 under the heading "Inter-company balances and investments" the parent company has compared the underlying values of the subsidiaries to the parent company's net investment in the subsidiaries; the underlying asset values are derived from the output from the impairment tests carried out in respect of exploration and evaluation costs and development and production assets; the risks relating to these tests are described above.</p>	<ul style="list-style-type: none"> • We compared the parent company's total investment in each subsidiary (comprising the cost of the investment in, and balance due from, that subsidiary) to the subsidiary's gross assets less third-party liabilities. Where there was a material shortfall, we also included the relevant headroom identified in management's impairment forecasts, which were subject to audit as described above.

Independent Auditor's Report to the Members of Egdon Resources plc

CONTINUED

Our application of materiality

The materiality for the group financial statements as a whole ("group FS materiality") was set at £1,400,000. This has been determined with reference to the benchmark of the group's net assets, which we consider to be one of the principal considerations for members of the company in assessing the group's performance. Group FS materiality represents 4.5% of the group's net assets as presented on the face of the consolidated Statement of Financial Position.

The materiality for the parent company financial statements as a whole ("parent FS materiality") was set at £1,120,000. This has been determined with reference to the benchmark of the parent company's net assets as it exists only as a holding company for the group and carries on no trade in its own right. Parent FS materiality represents 2.7% of the parent company's net assets as presented on the face of the parent company Statement of Financial Position.

Performance materiality for the group financial statements was set at £1,120,000, being 80% of group FS materiality, for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. We have set it at this amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds group FS materiality. We judged this level to be appropriate based on our understanding of the group and its financial statements, as updated by our risk assessment procedures and our expectation regarding current period misstatements including considering experience from previous audits. It was set at 80% to reflect the fact that few misstatements were expected in the current period and our experience of management's attitude to proposed adjustments.

Performance materiality for the parent company financial statements was set at £896,000, being 80% of parent FS materiality. It was set at 80% to reflect the fact that few misstatements were expected in the current period and our experience of management's attitude to proposed adjustments.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the future cash flow forecasts prepared by management and challenging the inputs and assumptions included in the forecasts.
- Comparing forecasts with actuals in the year and post year-end.
- Reviewing sensitivity analysis prepared by management to assess the effect of changing key assumptions.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Financial Statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements and;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 32 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to the Members of Egdon Resources plc

CONTINUED

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We obtained a general understanding of the group's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations, the entity's policies and procedures regarding compliance, and how they identify, evaluate and account for litigation claims. We also drew on our existing understanding of the company's industry and regulation.

We understand that the group complies with the framework through:

- Outsourcing management accounts preparation, financial statement preparation and tax compliance to external experts.
- Having a Board which includes members who are experienced professionals in oil and gas exploration and development, a number of whom have memberships of industry regulatory bodies.
- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change.
- The Executive Directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the group's ability to conduct its business, and/or where there is a risk that failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the group:

- The Companies Act 2006 and International Financial Reporting Standards in respect of the preparation and presentation of the financial statements; and

- Health and Safety legislation; and
- Environmental, including oil and gas exploration, regulations.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations identified above:

- Made enquiries of Management, Those Charged with Governance;
- Reviewed Board Meeting minutes; and
- Inspected correspondence with regulators.

The senior statutory auditor led a discussion with members of the engagement team regarding the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur. The areas identified in this discussion were:

- Carrying values and impairment of exploration and evaluation costs and development and production assets
- Carrying values and impairment of intercompany balances, and investments in subsidiaries
- Going concern
- Revenue recognition

These areas were communicated to the other members of the engagement team not present at the discussion.

In addition to the procedures set out in the Key Audit Matters section, we performed the following to gain evidence as to the above areas:

- Testing of manual journal entries, selected based on specific risk assessments applied based on the group and parent company's processes and controls surrounding manual journal entries.

Overall, the senior statutory auditor was satisfied that the engagement team collectively had the appropriate competence and capabilities to identify or recognise irregularities. In particular, both the senior statutory auditor and the audit manager have a number of years' experience in dealing with companies subject to AIM regulations.

A further description of our responsibilities is available on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

CLA Evelyn Partners

Sancho Simmonds
Senior Statutory Auditor, for and on behalf of
CLA Evelyn Partners Limited
Statutory Auditor
Chartered Accountants
45 Gresham Street
London, EC2V 7BG

7 November 2022

Consolidated Statement of Comprehensive Income

for the year ended 31 July 2022

	NOTE	2022 £	2021 £
Revenue – continuing	3	6,907,865	1,092,735
Cost of sales:			
– exploration costs written-off and pre-licence costs		(151,490)	(206,156)
– impairments – Intangible fixed assets		(1,801,790)	(276,362)
– impairment reversals – Property, plant and equipment		1,396,903	–
– depreciation		(1,521,170)	(183,711)
– direct production costs		(1,257,226)	(918,689)
– other, including shut-in fields		(205,034)	(190,573)
Total cost of sales		(3,539,807)	(1,775,491)
Gross profit/(loss)		3,368,058	(682,756)
Administrative expenses		(914,681)	(862,060)
Other operating income		142,926	156,616
		2,596,303	(1,388,200)
Finance income	10	46,369	50,616
Finance costs	11	(235,729)	(344,051)
Profit/(loss) before taxation	4	2,406,943	(1,681,635)
Taxation	12	890,667	–
Profit/(loss) for the year		3,297,610	(1,681,635)
Other comprehensive income for the year		–	–
Total comprehensive income/(loss) for the year attributable to equity holders of the parent		3,297,610	(1,681,635)
Profit/(loss) for the year per share			
Basic earnings/(loss) per share	13	0.64p	(0.51)p
Diluted earnings/(loss) per share	13	0.57p	(0.51)p

The notes on pages 47 to 77 form part of these financial statements.

Consolidated Statement of Financial Position

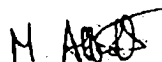
at 31 July 2022

Company number 06409716

	NOTE	2022 £	2021 £
Non-current assets			
Intangible assets	14	19,562,165	21,241,378
Property, plant and equipment	15	9,823,494	8,719,310
Right-of-use asset	16	487,736	617,808
Trade and other receivables	18	661,274	384,831
Total non-current assets		30,534,669	30,963,327
Current assets			
Inventory		17,019	–
Trade and other receivables	18	2,685,043	1,084,992
Cash and cash equivalents	19	4,800,472	1,959,728
Total current assets		7,502,534	3,044,720
Current liabilities			
Trade and other payables	20	(2,493,573)	(1,772,284)
Other financial liabilities	21	(112,292)	(1,135,804)
Net current assets		4,896,669	136,632
Total assets less current liabilities		35,431,338	31,099,959
Non-current liabilities			
Lease liabilities	21/23	(900,261)	(1,012,553)
Provisions	24	(3,459,142)	(2,669,107)
Net assets		31,071,935	27,418,299
Equity			
Share capital	26	17,203,299	17,118,649
Share premium	27	27,640,047	27,513,071
Share-based payment reserve		144,400	122,254
Retained earnings		(13,915,811)	(17,335,675)
		31,071,935	27,418,299

The notes on pages 47 to 77 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 7 November 2022.



Mark Abbott
Managing Director

Company Statement of Financial Position

at 31 July 2022

Company number 06409716

	NOTE	2022 £	2021 £
Non-current assets			
Property, plant and equipment	15	4,413	–
Right-of-use asset	16	62,719	84,223
Investments	17	14,172,924	14,172,924
Trade and other receivables	18	26,500,310	26,903,915
Total non-current assets		40,740,366	41,161,062
Current assets			
Trade and other receivables	18	49,445	54,869
Cash and cash equivalents	19	34,534	924,062
Total current assets		83,979	978,931
Current liabilities			
Trade and other payables	20	(98,280)	(158,440)
Other financial liabilities	21	(21,580)	(1,027,442)
Net current liabilities		(35,881)	(206,951)
Total assets less current liabilities		40,704,485	40,954,111
Non-current liabilities			
Lease liabilities	21/23	(43,800)	(65,380)
Provisions	24	(20,525)	(20,525)
Net assets		40,640,160	40,868,206
Equity			
Share capital	26	17,203,299	17,118,649
Share premium	27	27,640,047	27,513,071
Merger reserve	28	2,357,816	2,357,816
Share-based payment reserve		144,400	122,254
Retained earnings		(6,705,402)	(6,243,584)
		40,640,160	40,868,206

The notes on pages 47 to 77 form part of these financial statements.

The Company has elected to take exemption under section 408 of the Companies Act 2006 from presenting the Parent Company Statement of Comprehensive Income. The Company loss for the financial year is £584,072 (2021: £522,253).

The financial statements were approved by the Board of Directors and authorised for issue on 7 November 2022.



Mark Abbott
Managing Director

Consolidated Statement of Cash Flows

for the year ended 31 July 2022

	2022 £	2021 £
Cash flows from operating activities		
Profit/(loss) before tax	2,406,943	(1,681,635)
Adjustments for:		
Depreciation and impairments of non-current assets	1,948,770	594,131
Increase in decommissioning provision – written off to cost of sales	49,125	28,908
Foreign exchange (gains)/losses	(217,665)	4,525
(Increase)/decrease in inventory	(17,019)	5,466
(Increase)/decrease in trade and other receivables	(832,295)	696,675
Increase/(decrease) in trade and other payables	563,507	(1,057,412)
Finance costs	235,729	344,051
Finance income	(46,369)	(50,616)
Share based payment expense	144,400	–
Net cash flow generated from/(used in) operating activities	4,235,126	(1,115,907)
Cash flows from investing activities		
Payments for exploration and evaluation assets	(216,061)	(384,827)
Purchase of property, plant and equipment	(349,460)	(719,288)
Sale of property, plant and equipment	–	209,872
Redemption of redeemable preference shares	–	50,000
Net cash used in capital expenditure and investing activities	(565,521)	(844,243)
Cash flows from financing activities		
Issue of convertible loan notes	–	1,051,035
Costs associated with issue of convertible loan notes	–	(67,236)
Issue of shares	211,626	1,440,350
Costs associated with issue of shares	–	(78,203)
Redemption of redeemable preference shares	–	(50,000)
Principal paid on lease liabilities	(102,946)	(77,071)
Interest paid on lease liabilities	(59,745)	(74,748)
Interest paid	(11)	–
Interest received	52	–
Loan (repayment)/drawdown	(1,000,000)	1,000,000
Interest paid on loan	(100,420)	(66,948)
Net cash flow (used in)/generated from financing	(1,051,444)	3,077,179
Net increase in cash and cash equivalents	2,618,161	1,117,029
Cash and cash equivalents at beginning of year	1,959,728	847,224
Effects of exchange rate changes on the balance of cash held in foreign currencies	217,665	(4,525)
Cash and cash equivalents at end of year	4,795,554	1,959,728
Cash and cash equivalents comprise:		
Cash at bank and in hand	4,800,472	1,959,728
Bank overdrafts	(4,918)	–
Cash and cash equivalents at end of year	4,795,554	1,959,728

The notes on pages 47 to 77 form part of these financial statements.

In 2022 significant non-cash transactions included the recognition of the NPI provision of £608,000 which is included in other provisions, the share based payment charge of £144,400 and the recognition of the deferred tax asset of £1,043,531.

In 2021 significant non-cash transactions included the recognition of an additional decommissioning provision of £80,000 and the issue of the convertible loan which was subsequently converted to equity.

Company Statement of Cash Flows

for the year ended 31 July 2022

	2022 £	2021 £
Cash flows from operating activities		
Loss before tax	(584,072)	(522,253)
Adjustments for:		
Depreciation	21,698	21,504
Decrease/(increase) in trade and other receivables	409,029	(2,005,285)
Decrease in trade and other payables	(60,160)	(33,841)
Finance costs	99,978	168,226
Share based payment expense	144,400	–
Cash generated from/(used in) in operations	30,873	(2,371,649)
Net cash flow generated from/(used in) operating activities	30,873	(2,371,649)
Cash flows from investing activities		
Purchase of tangible fixed assets	(4,607)	–
Net cash used in capital expenditure and financial investment	(4,607)	–
Cash flows from financing activities		
Issue of convertible loan notes	–	1,051,035
Costs associated with issue of convertible loan notes	–	(67,236)
Issue of shares	211,626	1,440,350
Costs associated with issue of shares	–	(78,203)
Principal paid on lease liabilities	(19,504)	(17,243)
Interest paid on lease liabilities	(7,496)	(9,257)
Loan (repayment)/drawdown	(1,000,000)	1,000,000
Interest paid on loan	(100,420)	(66,948)
Net cash flow (used in)/generated from financing	(915,794)	3,252,498
Net (decrease)/increase in cash and cash equivalents	(889,528)	880,849
Cash and cash equivalents at beginning of year	924,062	43,213
Cash and cash equivalents at end of year	34,534	924,062

The notes on pages 47 to 77 form part of these financial statements.

In 2022 significant non-cash transactions included the share based payment charge of £144,400.

In 2021 significant non-cash transactions included the recognition of the convertible loan which was subsequently converted to equity.

Consolidated Statement of Changes in Equity

for the year ended 31 July 2022

	SHARE CAPITAL £	SHARE PREMIUM £	SHARE-BASED PAYMENT RESERVE £	CONVERTIBLE DEBT OPTION RESERVE £	RETAINED EARNINGS £	TOTAL EQUITY £
Balance at 31 July 2020	15,234,035	26,967,656	122,254	–	(15,654,040)	26,669,905
Loss for the year	–	–	–	–	(1,681,635)	(1,681,635)
Total comprehensive income/(loss) for the year	–	–	–	–	(1,681,635)	(1,681,635)
Issue of shares	1,152,280	288,070	–	–	–	1,440,350
Share issue costs	–	(78,203)	–	–	–	(78,203)
Issue of convertible loan notes	–	–	–	28,406	–	28,406
Issue costs of convertible loan notes	–	–	–	(1,817)	–	(1,817)
Transfer on conversion of loan notes to equity – debt element	732,334	374,378	–	–	–	1,106,712
Issue costs of convertible loan notes	–	(65,419)	–	–	–	(65,419)
Transfer on conversion of loan notes to equity – equity element	–	26,589	–	(26,589)	–	–
Balance at 31 July 2021	17,118,649	27,513,071	122,254	–	(17,335,675)	27,418,299
Profit for the year	–	–	–	–	3,297,610	3,297,610
Total comprehensive income/(loss) for the year	–	–	–	–	3,297,610	3,297,610
Issue of shares - exercise of warrants	84,650	126,976	–	–	–	211,626
Cancellation of share options	–	–	(122,254)	–	122,254	–
Issue of new share options	–	–	144,400	–	–	144,400
Balance at 31 July 2022	17,203,299	27,640,047	144,400	–	(13,915,811)	31,071,935

The notes on pages 47 to 77 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 July 2022

	SHARE CAPITAL £	MERGER RESERVE £	SHARE PREMIUM £	SHARE-BASED PAYMENT RESERVE £	CONVERTIBLE DEBT OPTION RESERVE £	RETAINED EARNINGS £	TOTAL EQUITY £
Balance at 31 July 2020	15,234,035	2,357,816	26,967,656	122,254	–	(5,721,331)	38,960,430
Loss for the year	–	–	–	–	–	(522,253)	(522,253)
Total comprehensive income/(loss) for the year	–	–	–	–	–	(522,253)	(522,253)
Issue of shares	1,152,280	–	288,070	–	–	–	1,440,350
Share issue costs	–	–	(78,203)	–	–	–	(78,203)
Issue of convertible loan notes	–	–	–	–	28,406	–	28,406
Issue costs of convertible loan notes	–	–	–	–	(1,817)	–	(1,817)
Transfer on conversion of loan notes to equity – debt element	732,334	–	374,378	–	–	–	1,106,712
Issue costs of convertible loan notes	–	–	(65,419)	–	–	–	(65,419)
Transfer on conversion of loan notes to equity - equity element	–	–	26,589	–	(26,589)	–	–
Balance at 31 July 2021	17,118,649	2,357,816	27,513,071	122,254	–	(6,243,584)	40,868,206
Loss for the year	–	–	–	–	–	(584,072)	(584,072)
Total comprehensive income/(loss) for the year	–	–	–	–	–	(584,072)	(584,072)
Issue of shares – exercise of warrants	84,650	–	126,976	–	–	–	211,626
Cancellation of share options	–	–	–	(122,254)	–	122,254	–
Issue of new share options	–	–	–	144,400	–	–	144,400
Balance at 31 July 2022	17,203,299	2,357,816	27,640,047	144,400	–	(6,705,402)	40,640,160

The notes on pages 47 to 77 form part of these financial statements.

Notes Forming Part of the Financial Statements

for the year ended 31 July 2022

1 General Information

Egdon Resources plc is a public company limited by shares incorporated and domiciled in England & Wales with registered number 06409716. The address of the registered office is: Blackstable House Longridge, Sheepscot, Stroud, Gloucestershire, GL6 7QX. The Company's administrative office is Suite 250, 450 Green Park, Reading, RG2 6UU.

Egdon Resources plc (the "Company") and its subsidiaries (together, the "Group") explore for and develop oil and gas reserves in England. The Company's shares are quoted on the AIM Market ("AIM") of the London Stock Exchange.

2 Accounting Policies

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

Basis of preparation and statement of compliance with IFRS

The Group's and Company's financial statements have been prepared in accordance with UK-adopted International Accounting Standards 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) in conformity with the requirements of the Companies Act 2006. 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 Statement of Comprehensive Income or associated notes are presented for the Company as an entity.

Going concern

The Directors have prepared the financial statements on the going concern basis, which assumes that the Group and the Company will continue in operational existence without significant curtailment of its activities for the foreseeable future.

2021-22 has seen beneficial operating and macro-economic conditions for the oil and gas industry and the Group has seen a resultant improvement in trading and cash-flow coming from Wressle and increased profitability from Ceres.

Forward cash flows necessarily include assumptions as to the timing and value of production from the Group's assets. Whilst there is currently no evidence that the timing or value of these revenues is unrealistic, the Directors acknowledge that disruptions to production, along with changes in both oil and gas prices give some level of uncertainty in respect of the timing of future cash flows. The Directors have undertaken stress testing of the forward commodity price assumptions with particular focus on oil and gas price and determined that these assumptions remain valid notwithstanding a possible reduction in forecast 2023 realised oil price by 10% and gas price by 46% without impacting planned expenditure. The Group also has flexibility in relation to the timing and quantum of future expenditures, with 75% of these being discretionary, and by deferring certain costs the forecast remains valid under circumstances where a material fall in commodity prices is experienced. In addition, although not assumed in the going concern forecasts, the Group also has options to access additional sources of funding if required via farm-out, sales, new lending or the issue of new equity.

After preparing cash flow forecasts and considering the results of stress tests to certain assumptions, and having made enquiries, the Directors have a reasonable expectation that the Group and the Company will have access to adequate resources to continue in operational existence for the foreseeable future and have prepared the financial statements on that basis.

Impact of new international reporting standards, amendments and interpretations

New standards, interpretations and amendments

New standards impacting the Group that have been adopted in the financial statements for the year ended 31 July 2022, but have not had a significant effect on the Group are as follows:

- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7); and
- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16).

Notes Forming Part of the Financial Statements

CONTINUED

2 Accounting Policies (continued)

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 August 2022, but will not have a significant effect on the Group are as follows:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);
- References to Conceptual Framework (Amendments to IFRS 3); and
- Insurance Contracts (Amendments to IFRS 17).

The following amendments are effective for the period beginning 1 August 2023, but will not have a significant effect on the Group are as follows:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

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 is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The financial statements of subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated in preparing the consolidated financial statements.

Business combinations and goodwill

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the Statement of Comprehensive Income in profit or loss as negative goodwill.

Where the Group incurs obligations to pay a net profit interest as part of an acquisition, the estimated fair value of the net profit interest is recognised at the date of acquisition. Any subsequent variations in the net profit interest arising from events occurring after acquisition are recognised through the Statement of Comprehensive Income in profit or loss. Where the fair value of a net profit interest cannot be established (for example, because the relevant licence has yet to be fully appraised) no provision is recognised.

2 Accounting Policies (continued)

Any net profit interests arising on disposal are recognised at their fair value as at the date of disposal, except in circumstances where the fair value cannot be determined.

An acquisition is not classified as a business combination when an acquired entity does not have business processes or outputs as defined by IFRS 3 (Revised). Such transactions are accounted for as asset acquisitions and the assets acquired are measured at cost.

Investments in subsidiaries

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

Revenue from oil and gas sales

Revenue represents amounts receivable for oil and gas sales, net of VAT and trade discounts, and is recognised on delivery to third party facilities. The revenue relates to sales of the Company's own production and the sale of any back-out gas received. The price achieved is the market price at the date of delivery. There is no right of return. Debtors arising from oil and gas sales typically have payment terms of 30 days from the date of delivery.

Other operating income

Income charged to other companies net of VAT in respect of fees for acting as operator and consultancy fees is disclosed within other operating income and is recognised on an accruals basis when the services are provided. The price charged is based on a market rate for the services, agreed annually in advance. Debtors arising from charges to joint venture partners typically have payment terms of 30 days from the end of the month in which 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.

The Group's exploration and development activities in respect of the licence interests are accounted for as jointly controlled operations, except for those where 100% of the licence is held within the Group.

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 cost of sales in the Statement of Comprehensive Income. 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 Statement of Comprehensive Income as a component of cost of sales in the period the relevant events occur. The costs associated with any wells which are plugged and restored are fully amortised when the decision not to proceed is taken. Certain costs associated with well, seismic and other geotechnical data and evaluations may be retained where they have clear value to other of the Company's E&E assets or retained in other intangibles.

Notes Forming Part of the Financial Statements

CONTINUED

2 Accounting Policies (continued)

As permitted by IFRS 6, on adoption of IFRS, the Group continued to apply the accounting guidance of the Statement of Recommended Practice issued by the UK Oil Industry Accounting Committee as applied under UK GAAP in respect of revenue generated from the sale of oil during the appraisal process and the treatment on disposal of any part of an E&E asset. Revenue is recorded in the Statement of Comprehensive Income. In order that no profit is recognised on the sale, an entry of the equivalent value is recorded in cost of sales with a corresponding credit to exploration and evaluation assets.

On disposal of any part of an E&E asset, proceeds are credited against the cost of the asset. No profit is recognised on the disposal, unless the proceeds exceed the total capitalised cost of the asset.

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.

Such assets are considered to have an indefinite useful life and are not subject to amortisation but are tested annually for impairment and elements that have no ongoing commercial value are written-off to cost of sales in the Statement of Comprehensive Income.

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 cost of sales in the Statement of Comprehensive Income. 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 in the accounting period of the relinquishment date. If the impairment tests indicate that the circumstances resulting in a previous impairment charge have recovered so that the asset's recoverable amount exceeds its carrying value, previous impairments are reversed and a gain is recognised in cost of sales. Impairment reversals will not exceed any previous impairment write-offs.

Property, plant and equipment – development and production assets

Development and production ("D&P") assets are accumulated into 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.

On acquisition of a D&P asset from a third party, the asset will be recognised in the financial statements on signature of the sale and purchase agreement, subject to satisfaction of any substantive conditions within the agreement.

Costs relating to each cost centre are depleted on a unit of production method based on the commercial proven reserves for that cost centre. Development assets are not depreciated until production commences. The depreciation 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.

On disposal of any part of a D&P asset, proceeds are credited to the Statement of Comprehensive Income, less the percentage cost relating to the disposal.

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. Additional depletion is included within cost of sales within the Statement of Comprehensive Income if the capitalised costs of the CGU exceed the associated estimated future discounted cash flows of the related commercial oil and gas reserves. If impairment tests indicate that the circumstances resulting in a previous impairment charge have recovered so that the asset's future discounted cash flows exceed its carrying value, previous impairments are reversed and a gain is recognised in cost of sales. Impairment reversals will not exceed any previous impairment write-offs.

2 Accounting Policies (continued)

Property, plant and equipment – other than D&P assets

Property, plant and equipment other than D&P assets are stated in the Statement of Financial Position 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:

Fixtures and fittings	– 25% straight-line
Equipment	– 33% straight-line
Computer equipment	– 33% straight-line
Right-of-use asset	– Over the lease term

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event where it is probable it 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 finance 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 and reinstatement, 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.

Onerous contract provision

Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefit expected to be received under it, a provision is made for the present value of the obligations.

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 Statement of Comprehensive Income in profit or loss.

Leases

The Group as a lessee

The Group assesses whether a contract is, or contains, a lease at the inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as those with a value below £1,000 at inception). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Notes Forming Part of the Financial Statements

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2 Accounting Policies (continued)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in 'Trade and other payables' in the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed in which case the lease liability is re-measured by discounting the revised lease payments using the initial discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The Group made adjustments to the lease liability, and subsequently the interest due on the lease, as a result of changes in the percentage interest held by the Group for the licence PEDL241 at North Kelsey.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in full in profit or loss in the year in which the impairment is identified.

For leases that occur under a Joint Operating Agreement ("JOA"), where the Group is the lead operator and holds the lease obligation with the lessor, the Group recognises the lease liability in full, but applies IFRS 11 to identify if the right-of-use asset is shared between the partners under the JOA. The Group recognises the portion of the lease liability attributable to the partners under the JOA separately as a net investment in a sub-lease in the Group's Statement of Financial Position. The net investment in sub-lease is treated as a receivable and split between short and long term receivables, in line with the terms of the corresponding lease. Subsequently the net investment in sub-lease is measured by reflecting the movements on the corresponding lease, primarily reducing the receivable balance by the value of the payments received from joint partners. Increases in the receivable are recognised as interest receivable in the Statement of Comprehensive Income, calculated using the effective interest rate method.

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.

2 Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The cash and cash equivalent amount in the Statements of Cash Flows includes overdrafts where relevant.

Financial Instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables are measured on initial recognition at transaction price and are subsequently measured at amortised cost using the effective interest method less any impairment. Lease receivables relate entirely to net investment in sub-leases, the recognition and measurement of which has been disclosed within the Leases accounting policy above. Other receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method less any impairment. An impairment provision is established by applying an expected credit loss model. The expected credit loss model assesses the probability of default over the lifetime of the receivable. The simplified approach is adopted in respect of all balances except for those with group companies as, taking historic, current and forward looking information into account, no receivables have been assessed as including a significant financing component. Balances with group companies are assessed using a 12 month expected credit loss model taking into account any significant change in credit risk since the initial recognition. The provision amount is recognised in the Statement of Comprehensive Income.

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 or, if appropriate, and where these can be reliably measured, at the fair value of the goods and services received.

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 using the effective interest method.

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 Statement of Comprehensive Income 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 substantively enacted by the reporting 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. 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 reporting 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.

Notes Forming Part of the Financial Statements

CONTINUED

2 Accounting Policies (continued)

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.

Convertible debt

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and is recognised in the "Convertible debt option reserve" within shareholders' equity, net of income tax effects.

On conversion of the convertible loan notes, the debt component is transferred to equity and allocated between share capital and share premium. The equity component is transferred from the convertible debt option reserve to share premium.

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 Statement of Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where equity instruments are granted other than to employees, the amount recognised in equity is the fair value of goods and services received. An equivalent charge is capitalised within non-current assets where the equity instruments have been issued as consideration for the acquisition of intangible exploration and evaluation assets.

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 it 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 Statement of Comprehensive Income 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 Statement of Financial Position.

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 Statement of Financial Position and Statement of Comprehensive Income, as well as the disclosure of contingent assets and liabilities. Future events may lead to these estimates being changed. In particular, judgements and estimates are required when:

2 Accounting Policies (continued)

- Assessing the need for and measurement of impairment of exploration and evaluation costs and development and production assets
- Capitalising project costs
- Assessing the need for impairment of inter-company balances and investments
- Assessing contingent consideration on acquisition
- Estimating decommissioning and reinstatement liabilities
- Determining going concern
- Estimating the present value of lease liabilities and the associated right-of-use asset

The following key judgements have been applied in preparing these financial statements:

Exploration and evaluation costs and development and production assets

Management is required to assess the exploration and evaluation costs and development and production assets for indicators of impairment. This assessment involves judgement in determining the likelihood that any of the identified potential indicators of impairment might result in a material adjustment to the carrying value of the assets. Notes 14 and 15 disclose the carrying values of these assets. Following this assessment, management has carried out an impairment test on the assets. This test compares the carrying value of the assets at the reporting date with the expected discounted cash flow from the project. The assumptions and sensitivities considered in carrying out this test are set out under *Other key sources of estimation uncertainty* below.

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.

Inter-company balances and investments

Management is required to assess the inter-company balances and investments held by the Parent Company for indicators of impairment at the reporting date. As part of this assessment management considers the output from the impairment tests carried out in respect of exploration and evaluation costs and development and production assets. The derived asset values at the reporting date are considered to be an indicator of the underlying value of the relevant Company. These values are compared to the carrying values of the inter-company balances or investments at the reporting date, as disclosed in Notes 17 and 18, and consideration is given to whether any provision for impairment is required. The assumptions and sensitivities applied in the assessment are therefore the same as those detailed under *Other key sources of estimation uncertainty* for exploration and evaluation costs and development and production assets below. As required by IFRS 9, the expected credit loss model is applied to balances due from Group companies. Judgement is required in assessing whether there have been any changes to the business environment in which the Group operates since initial recognition of the balances. Should any such changes occur, an assessment of the impact on the carrying value of the Group balances is required.

Leases

Assessing the length of the lease

In assessing the length of a lease in respect of exploration and evaluation and development and production assets, the Directors have considered whether the lease agreements contain appropriate break clauses and/or provisions for extension, it has been assumed that the leases will remain in place for the life of the asset as estimated for the purposes of the associated asset impairment reviews.

Key sources of estimation uncertainty:

Exploration and evaluation costs and development and production assets

In calculating the discounted cash flows, 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 discount rates. The Best Estimate of Proven and Probable Reserves are derived from Monte Carlo simulations generated from geological models of the relevant resources. By their nature these models are only able to be validated once the relevant field is developed and is on production.

Notes Forming Part of the Financial Statements

CONTINUED

2 Accounting Policies (continued)

The production profiles are based on existing and planned facilities; the production profiles are subject to revision based on current production and other data, and if any planned expenditure is deferred. Revisions to the best estimate of Proven and Probable Reserves resulted in the recognition in both 2022 and 2021 of impairments as disclosed in Notes 14 and 15. Oil and gas prices are subject to fluctuation dependant on market conditions. As a generality, a change in commodity prices or expected recoverable reserves would have a corresponding change on the expected cash flows attributable to the relevant asset. Should the production profile extend, the relevant assets would be on production for longer and therefore operating costs would be incurred over a longer period. As such costs are largely independent of production volumes, there would be a reduction in cash flows; discounting would also further reduce the present value of the cash flows.

The timing of expected cash flows may be impacted by planning delays and political uncertainty. Delays may lead to increased costs resulting in a reduction to the present value of cash flows. The likelihood of such delays occurring has been taken into account in preparing forward cost estimates and production forecasts.

Management considers the likelihood that the NSTA will renew licences expiring in future periods when assessing future expected cash flows. Where there is no expectation that a licence will not be renewed no adjustment is made to the future expected cash flow.

Government moratorium

Management considers the likely impact of the Government moratorium on hydraulic fracturing when assessing future expected cash flows. Given the ongoing dialogue between the Group, its industry peers, BEIS, the NSTA and other regulators, the Directors have reviewed the unconventional licence portfolio and in 2020 impaired certain less prospective and/or non-core licences; as disclosed in Note 14 but no significant adjustment to future cash flows has been made in respect of its core unconventional licence interests.

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 incoming financial resources expected to be available depend on estimated production volumes, forecast oil and gas prices and operating costs. Expenditure is primarily dependent on the planned programme of exploration, its estimated cost and timing. The Directors also consider the effect and timing of potential corporate transactions.

Other sources of estimation uncertainty:

Contingent consideration

Contingent consideration is measured at fair value at the date of the transaction. Changes to the amount of the contingent consideration arising as a result of a post-acquisition event are reflected in profit or loss where the additional consideration is cash or other assets. The amount is not re-measured where the additional consideration is equity. Trade and other payables in the prior year included a liability of £417,000 in respect of deferred consideration arising on the acquisition of an additional 5% interest in PEDL180 and PEDL182. This was paid in March 2022 and so there is no liability at the current year end.

Decommissioning and reinstatement

The Group determines decommissioning and reinstatement liabilities by making assumptions, based on the current economic environment, which management believes 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. The carrying value of provisions for decommissioning and reinstatement is given in Note 24.

2 Accounting Policies (continued)

Valhalla NPI contingent consideration

The Directors have recognised a provision in respect of amounts due under an NPI agreement entered into with Valhalla Oil and Gas Limited in March 2011 on acquisition of interests in licences PEDL180 and PEDL181 as disclosed in Note 24. In determining the amount to recognise the Directors have considered likely future profitability from the Wressle site using a discounted cash flow model, based on the assumptions made in assessing the recoverable value of the oil and gas portfolio as outlined above. The carrying value of the provision at the year end was £608,000 (2021: £Nil).

Leases

Determining the discount rate

In determining the discount rate, the Directors have considered the borrowing rates implicit in the lease agreements. In the absence of implicit borrowing rates, the Directors have determined that an interest rate of 10% is a fair representation of the Group's incremental borrowing rate and this rate has been used to calculate the present value of lease liabilities and the associated right-of-use asset.

Deferred tax asset

In determining the deferred tax asset to recognise, the Directors have considered the likelihood of generating taxable profits in the foreseeable future against which losses and other timing differences can be offset. The Directors have used assumptions consistent with those adopted in preparing the going concern assessment and have not anticipated profits that may arise following future exploration activity. Foreseeable future has been considered to be 24 months. The deferred tax asset recognised is disclosed in Note 25 and amounted to £1,043,531 at the year end.

3 Segmental Information

Revenue of the Group for the year has been derived from the sale of oil and gas which has been extracted from wells in the UK during production. Oil is a commodity product and can be sold to a number of customers on industry-standard terms. For reasons of operational convenience, 100% (2021: 100%) of oil sales in the year were made to one organisation. Gas is a commodity product and can be sold to a number of customers on industry-standard terms. For contractual reasons in 2021 and 2022 gas from the Group's producing field was sold to only one customer at any point in time.

Oil and gas prices are affected by different economic factors. Revenue from contracts with customers has therefore been disaggregated as follows:

	2022 £	2021 £
Revenue from gas sales	1,660,338	680,558
Revenue from oil sales	5,247,527	412,177
	6,907,865	1,092,735

4 Profit/(loss) before Taxation

	2022 £	2021 £
The profit/(loss) for the year before taxation is stated after charging/(crediting):		
Auditor's remuneration (see Note 5)	64,550	58,715
Depreciation	1,543,883	205,215
Impairments – intangible fixed assets	1,801,790	276,362
Impairment reversals – property, plant and equipment	(1,396,903)	–
Exploration and appraisal costs written-off	39,681	112,554
Pre-licence costs expensed	111,809	93,602
Foreign exchange (gain)/loss	(217,665)	4,525

Notes Forming Part of the Financial Statements

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5 Auditor's Remuneration

	2022 £	2021 £
Audit services:		
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	26,290	23,830
Other services:		
The auditing of financial statements of subsidiaries of the Company	33,710	30,560
Audit related assurance services	4,550	4,325
Total audit and other services	64,550	58,715

6 Employee Information

	2022 £	2021 £
Employee costs for the Group and Company during the year amounted to:		
Wages and salaries	793,352	613,360
Social security costs	100,305	76,340
Pension costs	56,305	37,972
	949,962	727,672

The average number of persons employed by the Group and Company in the year, including Executive and Non-executive Directors, was:

	2022 NUMBER	2021 NUMBER
Management and administration	11	11

7 Remuneration of Directors and Key Management

The Board considers that the Group and Company's key management comprises the Directors of the Company.

	2022 £	2021 £
Group and Company		
Directors' emoluments	406,250	342,125
Medical cover	6,281	5,804
Employer's national insurance contributions	51,581	41,127
Short-term employment benefits	464,112	389,056
Post-employment benefits	40,450	35,113
Share based payment attributable to Directors	66,011	—
	570,573	424,169

7 Remuneration of Directors and Key Management (continued)

The emoluments and compensation of individual Directors were as follows:

	SALARY AND FEES £	MEDICAL £	PENSION (NOTE 9) £	TOTAL 2022 £	TOTAL 2021 £
M Abbott	173,333	2,930	5,700	181,963	142,519
P Stephens	42,000	—	—	42,000	37,875
K Ratcliff	28,000	—	—	28,000	25,250
W Roberts	250	—	27,750	28,000	24,900
M Durham	144,000	3,351	7,000	154,351	135,665
T Davies	18,667	—	—	18,667	16,833
	406,250	6,281	40,450	452,981	383,042

The emoluments of the highest paid Director excluding Employer NI and pension contributions were £173,333 (2021: £138,619).

Life policy and critical illness premiums of £Nil (2021: £896) were paid in respect of the Managing Director and Directors' indemnity insurance premiums of £2,882 (2021: £17,290) were paid in respect of all Directors.

Directors' share options outstanding at 31 July 2022 and at 31 July 2021:

	EXERCISE PRICE (P)	NUMBER OF OPTIONS	DATE GRANTED	VESTING DATE
Options awarded in the current year				
M Abbott	2.25	4,444,444	08/03/2022	07/03/2023
M Durham	2.25	3,555,556	08/03/2022	07/03/2023
Options extant as at 31 July 2021, and cancelled in the current year				
M Abbott	10.00	600,000	01/01/2013	01/01/2014
M Abbott	20.62	363,725	13/05/2014	01/05/2016
M Durham	22.75	659,341	18/08/2014	01/08/2016
M Abbott	9.70	979,381	16/11/2015	01/08/2016
M Durham	9.70	773,196	16/11/2015	01/08/2016
M Abbott	7.85	1,210,191	24/01/2019	01/01/2020
M Durham	7.85	955,414	24/01/2019	01/01/2020

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.

Notes Forming Part of the Financial Statements

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8 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. On 8 March 2022, all existing share based payment arrangements were cancelled and new options were granted as follows:

The following share-based payment arrangements were in existence during the current and prior years:

	NUMBER AT DATE OF GRANT	GRANT DATE	EXPIRY DATE	PRICE	VESTING DATE
Options awarded in the current year					
Granted on 8 March 2022	17,500,000	08/03/2022	07/03/2033	2.25p	07/03/2023
Options extant as at 31 July 2021 and cancelled in the current year					
Granted on 20 November 2012	791,750	20/11/2012	31/03/2022	10.00p	20/11/2013
Granted on 1 January 2013	1,200,000	01/01/2013	31/03/2022	10.00p	01/01/2014
Granted on 14 January 2014	762,765	14/01/2014	31/12/2023	10.38p	01/01/2016
Granted on 13 May 2014	654,705	13/05/2014	01/05/2024	20.62p	01/05/2016
Granted on 9 June 2014	780,000	09/06/2014	31/05/2024	26.00p	01/06/2016
Granted on 18 August 2014	659,341	18/08/2014	31/07/2024	22.75p	01/08/2016
Granted on 27 March 2017	300,000	27/03/2017	28/02/2027	10.00p	27/03/2017
Granted on 24 January 2019	4,526,561	24/01/2019	01/01/2030	7.85p	01/01/2020

The exercise price is determined as the average middle-market closing price on the three days preceding the grant. The options do not have a cash settlement alternative. Options vest for all grantees that remain in service at the vesting date.

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 expected volatility in respect of all options granted in or after December 2011 is based on the assumption that the historic volatility of Egdon Resources plc is indicative of future trends for Egdon Resources plc, which may not necessarily be the actual outcome.

The following table lists the inputs into the model for the new share options granted in the year ended 31 July 2022:

	08/03/2022
Grant date share price (pence)	3.10
Expected price (pence)	2.25
Expected volatility (%)	75.00
Option life (years)	11
Risk free interest rate (%)	0.50

8 Share-Based Payment Plans (continued)

The following table illustrates the number and weighted average exercise prices (WAEP) in pence of and movement in share options during the year:

Group and Company	2022 NUMBER	2022 WAEP (PENCE)	2021 NUMBER	2021 WAEP (PENCE)
Opening balance	11,126,349	11.29	11,126,349	11.29
Granted during the year	17,500,000	2.25	—	—
Exercised during the year	—	—	—	—
Cancelled during the year	(11,126,349)	11.29	—	—
Outstanding at 31 July 2022	17,500,000	2.25	11,126,349	11.29

The weighted average remaining contractual life of share options outstanding as at 31 July 2022 is 10.6 years (2021: 5.77 years). At 31 July 2022, none (2021: 11,126,349) of the total number of share options outstanding could be exercised and these options had a weighted average exercise price of 2.25 pence (2021: 11.29 pence).

9 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 £28,555 (2021: £13,072) represents the sum payable to the scheme by the Group at rates agreed in respect of participating employees excluding contributions made under a salary sacrifice arrangement.

10 Finance Income

	2022 £	2021 £
Interest receivable on net investment in sub-lease	46,317	50,616
Bank interest received	52	—
	46,369	50,616

11 Finance Costs

	2022 £	2021 £
Unwinding of decommissioning discount	37,174	59,718
Other finance charges	92,493	74,886
Interest on lease liabilities	106,062	125,364
Interest on convertible loans	—	84,083
	235,729	344,051

Notes Forming Part of the Financial Statements

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12 Income Tax

The major components of income tax expense for the years ended 31 July 2022 and 2021 are:

	2022 £	2021 £
Recognised in profit or loss		
Current tax expense		
Current income tax charge	152,864	–
Total current tax	152,864	–
Deferred tax expense		
Origination and reversal of temporary differences	(1,043,531)	–
Total deferred tax	(1,043,531)	–
Total tax credit	(890,667)	–
A reconciliation between tax credit and the product of the accounting profit/(loss) and the standard rate of tax in the UK for the years ended 31 July 2022 and 2021 is as follows:		
Accounting profit/(loss) before tax from continuing operations	2,406,943	(1,681,635)
Profit/(loss) multiplied by the standard rate of tax of 30.00% (2021: 19.00%)	722,083	(319,511)
Expenses not permitted for tax purposes	625,779	16,839
Non-taxable income	(423,327)	–
Fixed asset differences	164,005	–
Movement in unrecognised deferred tax assets	133,596	302,672
Losses utilised	(1,177,223)	–
Recognition of deferred tax asset	(1,043,531)	–
Ring fence profits supplementary charge	14,971	–
Marginal relief	(9,633)	–
Energy profit levy	184,820	–
Investment allowance	(82,207)	–
Total tax credit	(890,667)	–

Factors that may affect the future tax charge

The Group expects to be able to access trading losses of £52,678,445 (2021: £56,331,362) 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 outside ring-fenced activities.

Deferred taxation

A deferred tax asset of £1,043,531 has been recognised in the year in respect of losses and other timing differences that are expected to reverse in the foreseeable future. The Group has an unrecognised deferred taxation asset of £10,433,809 (2021: £9,365,525) at the year end, calculated at a rate of 40% (2021: 30%) which is an estimate of the rate anticipated to be applicable at the time the net tax losses are expected to be utilised. The deferred tax rate for 2022 is based on the rate applicable to ring-fenced activities as for 2021. This is represented by accumulated tax losses of £50,738,445 (2021: £56,331,362) and short-term timing differences in respect of provisions of £2,805,642 (2021: £2,648,582) offset by accelerated capital allowances of £27,459,565 (2021: £27,761,528).

13 Earnings Per Share

	2022 £	2021 £
Basic earnings/(loss) per share		
Profit/(loss) for the financial year	3,297,610	(1,681,635)
Basic weighted average Ordinary shares in issue during the year	518,951,908	331,615,357
	PENCE	PENCE
Basic profit/(loss) per share	0.64	(0.51)
	2022 £	2021 £
Diluted earnings/(loss) per share		
Profit/(loss) for the financial year	3,297,610	(1,681,635)
Diluted weighted average Ordinary shares in issue during the year	581,343,086	331,615,357
	PENCE	PENCE
Diluted earnings/(loss) per share	0.57	(0.51)

The share options were not dilutive in 2021 as a loss was incurred.

14 Intangible Fixed Assets

Group	EXPLORATION AND EVALUATION COSTS £	OTHER INTANGIBLES £	TOTAL £
At 1 August 2020	21,321,347	129,959	21,451,306
Additions	388,860	–	388,860
Disposals	(209,872)	–	(209,872)
Exploration written off	(112,554)	–	(112,554)
Impairment charge	(276,362)	–	(276,362)
At 31 July 2021	21,111,419	129,959	21,241,378
Additions	122,577	–	122,577
Impairment charge	(1,801,790)	–	(1,801,790)
At 31 July 2022	19,432,206	129,959	19,562,165
Net book value			
At 31 July 2022	19,432,206	129,959	19,562,165
At 31 July 2021	21,111,419	129,959	21,241,378
At 31 July 2020	21,321,347	129,959	21,451,306

Exploration and evaluation costs

Exploration and evaluation costs represent the Group's unevaluated oil and gas interests at 31 July 2022. These are its equity interests in licences in the UK held through its wholly owned subsidiaries and through its indirect subsidiaries as disclosed in Note 17. Additions to exploration and evaluation costs represent exploration and appraisal costs incurred in the year in respect of unproven properties.

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 each exploration area is individually in excess of its carrying amount with the exception of those assets specifically referred to below where licence determinations are currently anticipated.

Notes Forming Part of the Financial Statements

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14 Intangible Fixed Assets (continued)

The key inputs into the net present value calculations are a discount rate of 10% (2021: 10%) and gas prices per therm of 95p – 320p (2021: 51p – 117p) or oil prices per barrel of US\$80.0 – US\$100.0 (2021: US\$63.0 – US\$71.8). The exchange rate used was 1.2 USD per GBP. Commodity price forecasts are taken from published information and established as at the effective date of the impairment. The gas and oil prices used reflect an estimate of the forward curve in July 2022 based on a range of the current views of London based investment banks and an average is used to reflect the prevailing range of forecasts. The price is based on the National Balancing Point (NBP) price for gas and the Brent price for oil.

In determining an appropriate discount rate, the Directors have considered the time value of money and the cost of capital specific to the asset being assessed. The discount rate has been set at a value of 10% to reflect the anticipated costs of capital as this is prudent given significant increased inflation and interest rates trending higher.

The underlying assumption relating to the exploration and evaluation assets is that commercial reserves will be discovered, with the quantities being estimated using Monte Carlo simulation techniques, which reflect exploration risks. Based on this assumption and the key estimates, the excess of the aggregate net present value of the expected future cash flows is substantially in excess of the aggregate book value of the assets. Therefore, any reasonably possible changes to the key estimates would have no impact on the carrying value of the assets. However, should future exploration results indicate that commercial reserves do not or are unlikely to exist within any one prospect, the carrying value of that prospect would be expected to be written-off.

Current year

The Directors considered the potential impact of the moratorium on hydraulic fracturing for shale-gas on the Group's unconventional asset portfolio, including the core area of the Gainsborough Trough. No impairments were considered necessary as a consequence of the moratorium in 2022.

The Directors remain of the view that it would be possible to demonstrate that hydraulic fracturing can be undertaken in a safe and environmentally responsible manner. As at 31 July 2022, the book value of the Group's unconventional assets was £16.3 million (2021: £16.3 million).

During April 2022, Shell advised Egdon of its intention to withdraw from licences P1929 and P2304, containing the Resolution and Endeavour gas discoveries. Egdon applied to the NSTA for an extension of time to complete the 3D seismic programme. The NSTA initially rejected this request during August 2022 and following further representations has belatedly in October 2022, consented to Egdon's request for a twelve-month extension to the P1929 licence obligation to acquire the 3D seismic. Should the 3D survey not be acquired by April 2023, which is now more than highly challenging, P1929 will determine in May 2023. We have decided to fully impair these assets at this time resulting in a total impairment charge of £1,801,790.

During the year £0.25 million of data associated with the P1929 and P2304 licences was transferred to licence PEDL334 (Cloughton) where it remains of critical use in evaluating that licence.

Prior year

An impairment charge of £276,362 was recognised in relation to licences PL161 and PL162. The impairment arose as these licences were no longer deemed to have value following the lapse of the related farm-out.

Exploration write offs totalling £112,554 were recognised in relation to licences PEDL339, PEDL258, PEDL259 and PEDL202. These licences were relinquished during the year.

During the year the Company recognised disposals of £109,872 and £100,000 in relation to the farm out of licence interests. The disposal of £109,872 was recognised following the farm out agreement with Shell U.K. Limited for 70% of the UK offshore licence interest held on P1929 and P2304 which contain the Resolution and Endeavour gas discoveries respectively. The disposal of £100,000 related to the agreement to align the equity interest in PEDL241 on a 50:50 basis between the Company and its partner Union Jack Oil plc.

Other Intangibles

Other intangibles represent the costs of purchased data and other geological studies 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.

15 Property, Plant and Equipment

Group	DEVELOPMENT AND PRODUCTION ASSETS £	EQUIPMENT, FIXTURES AND FITTINGS £	COMPUTER EQUIPMENT £	TOTAL £
Cost				
At 1 August 2020	21,323,570	34,919	103,911	21,462,400
Additions	818,233	–	–	818,233
At 31 July 2021	22,141,803	34,919	103,911	22,280,633
Additions	1,141,567	–	5,116	1,146,683
Disposals	–	–	(27,168)	(27,168)
At 31 July 2022	23,283,370	34,919	81,859	23,400,148
Depreciation				
At 1 August 2020	13,341,031	31,364	103,911	13,476,306
Charge for the year	81,969	3,048	–	85,017
At 31 July 2021	13,423,000	34,412	103,911	13,561,323
Charge for the year	1,438,192	507	703	1,439,402
Impairment reversal	(1,396,903)	–	–	(1,396,903)
Disposals	–	–	(27,168)	(27,168)
At 31 July 2022	13,464,289	34,919	77,446	13,576,654
Net book value				
At 31 July 2022	9,819,081	–	4,413	9,823,494
At 31 July 2021	8,718,803	507	–	8,719,310
At 31 July 2020	7,982,539	3,555	–	7,986,094

Impairment reviews have been performed using recoverable amounts based on the estimated residual values of the wider licence area plus pre-tax value in use assessed from forecast production over the life of the fields, gas prices per therm of 95p – 320p (2021: 51p – 117p), or oil prices per barrel of US\$80.0 – US\$100.0 (2021: US\$63.0 – US\$71.8) and a discount rate of 10% (2021: 10%). The exchange rate used was 1.2 USD per GBP. Commodity price forecasts are taken from published information and established as at the effective date of the impairment. The gas and oil prices used reflect an assessment of the forward curve in July 2022 based on a range of the current views of London based investment banks and an average is used to reflect the prevailing range of forecasts. The price is based on the National Balancing Point (NBP) price for gas and the Brent price for oil.

In determining an appropriate discount rate, the Directors have considered the time value of money and the cost of capital specific to the asset being assessed. The discount rate has been set at a value of 10% to reflect the anticipated costs of capital and this is considered to be prudent given the significantly increased inflation and interest rates trending higher. As explained in the accounting policies, Monte Carlo simulation is used for determining production profiles and therefore the production profiles reflect the inherent risks associated with the production assets.

The excess of the aggregate net present value of the expected future cash flows over the aggregate book value of the assets is circa £48.4 million (2021: £7.27 million). The Directors do not consider that any reasonably possible changes to the key estimates would require a material impairment provision; however, certain assets have limited headroom and therefore immaterial impairment charges may arise on individual assets.

All impairment charges and reversals are recognised as a component of cost of sales within the Statement of Comprehensive Income.

Notes Forming Part of the Financial Statements

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15 Property, Plant and Equipment (continued)

Current year

An impairment credit of £506,903 has been recognised in relation to the Ceres Gas Field as the current high gas price assumptions render Ceres economic until 2025. Based on the impairment review, the pre-tax value in use of the Ceres Gas Field as at 31 July 2022 is £4.72 million.

An impairment credit of £127,000 has been recognised in relation to the Keddington Oil Field as it is assumed that there will be production in late 2023. Based on the impairment review, the pre-tax value in use of the Keddington Oil Field as at 31 July 2022 is £2.39 million.

An impairment credit of £133,000 has been recognised in relation to Avington Oil Field as restoration of production is anticipated during 2023. Based on the impairment review, the pre-tax value in use of the Avington Oil Field as at 31 July 2022 is £2.36 million.

An impairment credit of £300,000 has been recognised in relation to Waddock Cross Oil Field as production will be reinstated in 2023. Based on the impairment review, the pre-tax value in use of the Waddock Cross Oil Field as at 31 July 2022 is £19.67 million.

An impairment credit of £330,000 has been recognised in relation to Kirkleatham Gas Field as drilling is expected in late 2023. Based on the impairment review, the pre-tax value in use of the Kirkleatham Gas Field as at 31 July 2022 is £3.27 million.

Prior year

No impairment charges were recognised in the prior year.

Company	COMPUTER EQUIPMENT £	TOTAL £
Cost		
At 1 August 2020	27,168	27,168
Additions	–	–
At 31 July 2021	27,168	27,168
Additions	4,607	4,607
Disposals	(27,168)	(27,168)
At 31 July 2022	4,607	4,607
Depreciation		
At 1 August 2020	27,168	27,168
Charge for the year	–	–
At 31 July 2021	27,168	27,168
Charge for the year	194	194
Disposals	(27,168)	(27,168)
At 31 July 2022	194	194
Net book value		
At 31 July 2022	4,413	4,413
At 31 July 2021	–	–
At 31 July 2020	–	–

16 Right-of-Use asset

Group	RIGHT OF USE ASSET – PROPERTY £	RIGHT OF USE ASSET – EXPLORATION AND EVALUATION ASSETS £	RIGHT OF USE ASSET – DEVELOPMENT AND PRODUCTION ASSETS £	TOTAL £
Cost				
At 31 July 2020	125,351	192,557	471,658	789,566
Additions	—	198	28,616	28,814
At 31 July 2021	125,351	192,755	500,274	818,380
Lease term adjustments	—	(53,707)	28,116	(25,591)
At 31 July 2022	125,351	139,048	528,390	792,789
Depreciation				
At 31 July 2020	19,624	11,088	49,662	80,374
Charge for the year	21,504	9,443	89,251	120,198
At 31 July 2021	41,128	20,531	138,913	200,572
Charge for the year	21,504	8,822	74,155	104,481
At 31 July 2022	62,632	29,353	213,068	305,053
Net book value				
At 31 July 2022	62,719	109,695	315,322	487,736
At 31 July 2021	84,223	172,224	361,361	617,808
At 31 July 2020	105,727	181,469	421,996	709,192

Company	RIGHT OF USE ASSET – PROPERTY £	TOTAL £
Cost		
At 31 July 2020	125,351	125,351
Additions	—	—
At 31 July 2021	125,351	125,351
Additions	—	—
At 31 July 2022	125,351	125,351
Depreciation		
At 31 July 2020	19,624	19,624
Charge for the year	21,504	21,504
At 31 July 2021	41,128	41,128
Charge for the year	21,504	21,504
At 31 July 2022	62,632	62,632
Net book value		
At 31 July 2022	62,719	62,719
At 31 July 2021	84,223	84,223
At 31 July 2020	105,727	105,727

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17 Investments in Subsidiaries

Company	SHARES IN SUBSIDIARY UNDERTAKINGS £	LOANS TO SUBSIDIARY UNDERTAKINGS £	TOTAL £
Balance at 31 July 2020	9,138,100	5,034,824	14,172,924
Balance at 31 July 2021	9,138,100	5,034,824	14,172,924
Balance at 31 July 2022	9,138,100	5,034,824	14,172,924

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 Europe Limited	England	Ordinary	100
Erstör Limited*	England	Ordinary	100

* Held directly.

All active companies are involved in oil and gas exploration and production. The registered office address of the subsidiary companies is the same as that of the Parent Company.

Erstör Limited was incorporated on 16 June 2020 and was dormant throughout the current and prior periods.

18 Trade and Other Receivables

	GROUP 2022 £	GROUP 2021 £	COMPANY 2022 £	COMPANY 2021 £
Amounts falling due after more than one year:				
Amounts owed by subsidiaries	–	–	26,500,310	26,903,915
Net investment in sub-lease (Note 23)	393,743	384,831	–	–
Deferred tax asset (Note 25)	267,531	–	–	–
	661,274	384,831	26,500,310	26,903,915
Amounts falling due within one year:				
Trade receivables – balances due from customer contracts	665,305	180,178	310	–
Trade receivables – balances due from joint venture partners	800,396	579,416	–	–
VAT recoverable	57,441	–	12,014	16,527
Other receivables	128,797	13,419	1,476	–
Prepayments	220,692	267,325	35,645	38,342
Net investment in sub-lease (Note 23)	36,412	44,654	–	–
Deferred tax asset (Note 25)	776,000	–	–	–
	2,685,043	1,084,992	49,445	54,869

18 Trade and Other Receivables (continued)

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. Considerations relating to the credit risk of the Group and Company's trade and other receivables are detailed in Note 22.

Trade and other receivables represent amounts due from customers for the Group's oil and gas products and balances due from joint venture partners regulated by signed operator agreements.

Amounts owed to the Company from subsidiaries are due at call but are not expected to be called in the year ahead.

As at 31 July 2022 trade receivables of £Nil were considered to be impaired (2021: £Nil). Where trade receivables relate to recharges to joint venture partners, Egdon has a right of recourse to the licence interest and assets of any defaulting party.

As at 31 July 2022 trade receivables of £397,319 (2021: £626,700) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2022 £	2021 £
Up to three months past due	270,202	169,722
Three to six months past due	94,051	17,959
Over six months past due	33,066	439,019
	397,319	626,700

Other receivables do not contain impaired assets.

19 Cash and Cash Equivalents

	GROUP 2022 £	GROUP 2021 £	COMPANY 2022 £	COMPANY 2021 £
Short-term bank deposits	2,230,605	785,377	–	109
Cash at bank	2,569,867	1,174,351	34,534	923,953
	4,800,472	1,959,728	34,534	924,062

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.

20 Trade and Other Payables

	GROUP 2022 £	GROUP 2021 £	COMPANY 2022 £	COMPANY 2021 £
Amounts falling due within one year:				
Trade payables	737,797	1,197,490	9,248	87,491
Bank overdraft	4,918	–	–	–
VAT payable	–	9,170	–	–
Other payables	1,426,206	–	100	–
Accruals and deferred income	171,788	565,624	88,932	70,949
Corporation tax payable	152,864	–	–	–
	2,493,573	1,772,284	98,280	158,440

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

Notes Forming Part of the Financial Statements

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21 Other Financial Liabilities

	GROUP 2022 £	GROUP 2021 £	COMPANY 2022 £	COMPANY 2021 £
Amounts falling due after more than one year:				
Lease liabilities (Note 23)	900,261	1,012,553	43,800	65,380
	900,261	1,012,553	43,800	65,380
Amounts falling due within one year:				
Lease liabilities (Note 23)	112,292	127,866	21,580	19,504
Loans	–	1,007,938	–	1,007,938
	112,292	1,135,804	21,580	1,027,442

The loan facility held with Union Jack Oil plc is £Nil (2021: £1,007,938). The loan which was drawn down on 25 November 2020 was fully repaid in the year on 25 May 2022. Interest accrued on a daily basis on the outstanding loan amount at an interest rate of 11% per annum and was payable quarterly commencing on the earlier of the quarter following first production or on April 2021. The loan was secured against an unencumbered 25% interest in the Wressle Project (PEDL180, and PEDL182), including the Wressle development project and associated infrastructure.

22 Financial Assets and Liabilities

The Group's objective is to minimise financial risk. The policies to achieve this are to fund operations from equity capital, and, in the prior year, in the case of certain projects from debt and not to make use of derivatives. The Group's capital comprises Ordinary and Deferred shares, which are considered to be equity capital, together with share premium, share-based payment reserve and retained earnings. The Group also held a third party loan with one of its joint venture partners at the year end. The Group is not subject to any other externally imposed capital requirements.

The Group's financial instruments comprise cash and cash equivalents, trade payables, accruals, loans, trade receivables and other receivables which arise directly from its operations. All financial assets (£6,871,947, 2021: £3,236,464) and liabilities (£3,501,208, 2021: £3,911,471) are recorded at amortised cost. 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 the Group has facilities to deposit cash holdings with more than one institution. At year end, the Group had cash and cash equivalents of £4,800,472 (2021: £1,959,728) and the Company £34,534 (2021: £924,062). The balances at 31 July 2022 are held with one bank (2021: one). Trade receivables comprise amounts due from trading entities and total £1,465,701 (2021: £759,594) for the Group and £310 (2021: £Nil) for the Company (Note 18). Trade receivables are mainly due from joint venture partners and the purchasers of the Group's produced oil and gas. For joint venture partners, the Group would have alternative means of recourse in the event of any credit default. The purchasers of the Group's oil and gas production are substantial companies or subsidiaries of major international companies. At the year end, the total exposure to credit risk was £6,381,751 (2021: £2,719,522); Company £31,571,453 (2021: £32,862,801). In considering the credit risk of its financial assets, the Group separates its financial assets into the following categories:

- Balances due in respect of contracts with customers
- Balances due in respect of amounts due from joint venture parties
- Balances held at banks with a high credit rating
- Balances due from Group companies (for the Company)

22 Financial Assets and Liabilities (continued)

The credit risk associated with all of the above categories is considered to be low.

In respect of balances due from joint venture parties, including the net investment in sub-lease, the Group has noted an increase in the risk of joint venture partner default through its own trading experience and that of other companies with similar business models. However, the provisions of the various joint venture agreements which govern the Group's operations specify that the Group has alternative means of recourse in the event of such default and it is, therefore, considered that the risk of the Group suffering a material credit loss remains low.

The Group has experienced no historic losses in respect of either balances due from contracts with customers or cash balances held with UK banks. The Directors do not consider that there has been any change to the credit risk since initial recognition of these financial instruments as a result of changes to the business environment of the Group.

No provision for expected credit losses has been recognised as the Group's past experience shows that any loss to the Group on default, regardless of number of days past due, would not be material to the results of the Group.

The Company's exposure to credit risk largely relates to amounts owed by subsidiaries. These balances are considered recoverable by virtue of the value of the underlying licence interests in the subsidiaries, through future revenue generation from production or the disposal of the licence interests. Balances with subsidiaries waived in 2017 and 2018 arose on the winding up of single asset companies and therefore these historic write-offs have not been taken into account in assessing the expected credit risk of the current Group balances.

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 totalled £2,488,655 (£2,771,052). This comprises trade and other payables of £2,488,655 (£1,763,114) as disclosed in Note 20 and loan of £Nil (£1,007,938) as disclosed in other financial instruments in Note 21.

Interest rate risk

The Group has interest-bearing assets, comprising cash balances which earn interest at variable rates. These interest-bearing assets are cash at bank and short-term bank deposits (money market) as shown in Note 19.

Short-term bank deposits include money market deposits which earn interest at rates set in advance for periods of up to three months by HBSC prevailing rate.

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 finance income of £22,306 (2021: £7,854).

The Group's lease liabilities are categorised as fixed rate liabilities. The third party loan of £1,007,938 in the prior year bore interest at a fixed rate of 11% per annum. The Group had no other fixed rate liabilities and no floating rate liabilities in 2021 or 2022.

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 2022 was £2,792,105 (2021: £417,816); Company £Nil (2021: £Nil). There were no financial liabilities denominated in foreign currencies at 31 July 2022 or 31 July 2021.

A 10% change in the sterling exchange rate would result in an increase or decrease of £279,211 (2021: £41,782) in profit before tax.

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22 Financial Assets and Liabilities (continued)

Market risk

Payments due to Valhalla Oil and Gas Limited in respect of their 50% interest in the licence PEDL180 containing the Wressle discovery transferred to Egdon in 2011 are calculated at 10% of the income less deductible expenditure arising each month. The quantum of the future payments will be impacted by fluctuations in oil price and exchange rates and by cost inflation. The provision at the year end has been calculated using inputs consistent with those used in performing the year end impairment reviews as disclosed in Note 15.

23 Leases

Group as a lessee

See Note 2 for nature of leases undertaken by the Group and Company

Group	2022 £	2021 £
Lease liabilities are due as follows:		
Not later than one year	112,292	127,866
Between one year and five years	370,654	399,889
More than five years	529,607	612,664
Total	1,012,553	1,140,419
Net investment in sub-lease are due as follows:		
Not later than one year	36,412	44,654
Between one year and five years	146,944	97,081
More than five years	246,799	287,750
Total	430,155	429,485
Company	2022 £	2021 £
Lease liabilities are due as follows:		
Not later than one year	21,580	19,504
Between one year and five years	43,800	65,380
More than five years	–	–
Total	65,380	84,884

23 Leases (continued)**Maturity analysis of lease liabilities:**

Group	2022 £	2021 £
Lease liabilities are due as follows		
< 1 yr	206,659	233,928
1-5 yrs	651,006	729,726
> 5 yrs	718,581	860,139
Gross lease liability	1,576,246	1,823,793
Less interest	(563,693)	(683,374)
Total lease liability	1,012,553	1,140,419
Net investment in sublease is due as follows		
< 1 yr	77,252	89,471
1-5 yrs	288,209	240,313
> 5 yrs	337,281	405,233
Total	702,742	735,017
Less interest	(272,587)	(305,532)
Total lease liability	430,155	429,485
Company		
Lease liabilities are due as follows		
< 1 yr	27,125	27,000
1-5 yrs	48,125	75,250
> 5 yrs	—	—
Total	75,250	102,250
Less interest	(9,870)	(17,366)
Total lease liability	65,380	84,884

Group	LEASE LIABILITY - PROPERTY £	LEASE LIABILITY - EXPLORATION AND EVALUATION ASSETS £	LEASE LIABILITY - DEVELOPMENT AND PRODUCTION ASSETS £	TOTAL £
Lease liability reconciliation				
At 31 July 2021	84,884	285,104	770,431	1,140,419
Interest expense	7,496	32,074	66,492	106,062
Lease payments	(27,000)	(42,138)	(164,790)	(233,928)
Reclassification	—	57,424	(57,424)	—
At 31 July 2022	65,380	332,464	614,709	1,012,553

Notes Forming Part of the Financial Statements

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24 Provisions for Liabilities

Group	OTHER PROVISIONS £	DECOM-MISSIONING PROVISION £	REINSTATEMENT PROVISION £	ONEROUS CONTRACT PROVISION £	TOTAL £
At 1 August 2020	20,525	2,233,191	223,787	–	2,477,503
Provision created during the year	–	127,853	4,033	119,230	251,116
Release of provision	–	–	–	(119,230)	(119,230)
Unwinding of discount	–	59,718	–	–	59,718
At 31 July 2021	20,525	2,420,762	227,820	–	2,669,107
Provision created during the year	608,000	249,995	11,070	–	869,065
Discounting adjustment	–	(12,246)	(103,958)	–	(116,204)
Unwinding of discount	–	27,615	9,559	–	37,174
At 31 July 2022	628,525	2,686,126	144,491	–	3,459,142

Company	OTHER PROVISIONS £	DECOM-MISSIONING PROVISION £	REINSTATEMENT PROVISION £	ONEROUS CONTRACT PROVISION £	TOTAL £
At 1 August 2020	20,525	–	–	–	20,525
Paid during the year	–	–	–	–	–
At 31 July 2021	20,525	–	–	–	20,525
Paid during the year	–	–	–	–	–
At 31 July 2022	20,525	–	–	–	20,525

At 31 July 2022 provision has been made for decommissioning costs on the productive fields at Wressle, Fiskerton, Keddington, Kirkleatham, Ceres, Avington, Dukes Wood/Kirklington and Waddock Cross. Provision has also been made for reinstatement costs relating to exploration and evaluation assets at Nooks Farm and Biscathorpe 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 believes are a reasonable basis upon which to estimate the future liability. This estimate will be reviewed regularly to take into account any material change to assumptions. Actual costs will depend on future market prices, any variation in the extent of decommissioning and reinstatement to be performed, whether the works can be performed as part of a multi-well programme or in isolation and progress in the relevant technologies.

Decommissioning and reinstatement costs are expected to arise between 2023 and 2046.

Other provisions represent the amount expected to be payable to the former shareholder of Egdon Resources Avington Ltd under the Net Profit Interest agreement entered into at the time of acquisition of £20,525. Also included in other provisions as an addition this year is an amount expected to be payable to Valhalla Oil & Gas Limited in relation to licence PEDL180 under the Net Profit Interest agreement of £608,000 as it is probable that it will result in an outflow of economic benefit that can be estimated with reasonable certainty. Of the total provision, £230,000 (2021: £Nil) is estimated to be payable within one year.

The onerous contract provision for the Ceres Oil Field was recognised in the 31 January 2021 interim results. As at 31 January 2021 the assumptions used by the Directors in the impairment reviews indicated that the best estimate of the unavoidable costs to the Group under the contract was £119,230. This was due to the expected reduction to production volumes at lower commodity prices against increasing operating expenses creating a negative net present value of the discounted cash flow. The discounted cash flow assumed a discount rate of 10%. Without control over the sale of the gas, the negative cash flow forecast at 31 January 2021 indicated a provision should be made for the expected losses under the contract. At the prior year end, based on impairment reviews disclosed in Note 15, the oil field is expected to create a positive cash flow forecast due to the rising commodity prices. This indicated that a provision is no longer required and therefore this was released.

25 Deferred Tax

The movement on the deferred tax asset is as shown below:

	GROUP 2022 £	COMPANY 2022 £
At 1 August 2021	–	–
Deferred tax credit	1,043,531	–
At 31 July 2022	1,043,531	–

The provision for deferred tax is made up as follows:

	GROUP 2022 £	GROUP 2021 £	COMPANY 2022 £	COMPANY 2021 £
Losses	776,000	–	–	–
Other timing differences	267,531	–	–	–
	1,043,531	–	–	–

26 Share Capital and Redeemable Preference Shares

	1P ORDINARY SHARES		1P DEFERRED SHARES		
	ALLOTTED, CALLED UP AND FULLY PAID				
	NUMBER	£	NUMBER	£	TOTAL £
At 31 July 2020	328,315,625	3,283,156	1,195,087,887	11,950,879	15,234,035
Shares issued in the year	115,228,000	1,152,280	–	–	1,152,280
Conversion of loan notes	73,233,406	732,334	–	–	732,334
At 31 July 2021	516,777,031	5,167,770	1,195,087,887	11,950,879	17,118,649
Shares issued in the year	8,465,000	84,650	–	–	84,650
At 31 July 2022	525,242,031	5,252,420	1,195,087,887	11,950,879	17,203,299

The Deferred Shares do not carry any rights to vote or any dividend rights. The Deferred Shares will not be admitted to AIM and holders will only be entitled to a payment on return of capital or winding up of the Company after each of the holders of Ordinary Shares has received a payment of £10,000,000 on each such share.

In the current year a total of 8,465,000 warrants to subscribe for new Ordinary 1p shares were exercised for total cash consideration of £211,626 at an issue price of 2.5p. The nominal value of the shares was £84,650 and the additional share premium created was £126,976.

In the prior year, on 20 July 2021, following an open offer, the Company issued 115,228,000 New Ordinary 1p shares for total cash consideration of £1,440,350. The nominal value of the shares was £1,152,280 and the additional share premium created totalled £288,070. In addition, each subscription share was granted a right to subscribe for 0.5 of a new Ordinary Share at a price of 2.5p per share, exercisable at any time until the date of the second anniversary of their issue.

In the prior year, on 20 July 2021, the convertible loan notes were converted to 73,233,406 New Ordinary 1p shares at an issue price of 1.55p. The nominal value of the shares was £732,334 and the additional share premium created was £402,784 with issue costs of £67,236.

In the prior year, on 28 July 2021, Infrastrata plc fully paid the previously part-paid £1 Redeemable Preference Shares held by it in Egdon Resources plc. These shares were then redeemed. On the same day Egdon Resources U.K. Limited fully paid the previously part-paid £1 Redeemable Preference Shares held by it in Infrastrata plc. These shares were then redeemed. As a result these reciprocal cross-holdings, which date from the division of the original company in 2007, have been eliminated at no net cost to the Group.

Notes Forming Part of the Financial Statements

CONTINUED

27 Share Premium Reserve

Shares issued during the year are detailed in Note 26.

Share costs associated with the open offer of £Nil (2021: £78,203) were offset against the premium generated on issue.

Issue costs associated with the issue of the convertible loan instrument of £Nil (2021: £67,236) were offset against the premium generated on issue.

28 Merger Reserve

Company

The merger reserve arose on the de-merger of the Egdon Resources group of companies from Infrastrata plc (formerly Portland Gas plc) and represented the difference between the book value of Egdon Resources U.K. Limited's net assets on the date of the de-merger and the nominal value of the shares so issued.

The reserve is not distributable.

29 Movements in Cash and Cash Equivalents

Group	AS AT 31 JULY 2021 £	CASH FLOW £	EXCHANGE RATE MOVEMENTS £	AS AT 31 JULY 2022 £
Cash at bank	1,174,351	1,395,516	–	2,569,867
Short-term bank deposits	785,377	1,227,563	217,665	2,230,605
Cash and cash equivalents as per Statement of Financial Position	1,959,728	2,623,079	217,665	4,800,472

Company	AS AT 31 JULY 2021 £	CASH FLOW £	AS AT 31 JULY 2022 £
Cash at bank	923,953	(889,419)	34,534
Short-term bank deposits	109	(109)	–
Cash and cash equivalents as per Statement of Financial Position	924,062	(889,528)	34,534

The above balances also represent cash and cash equivalents for the purposes of the Statement of Cash Flows.

30 Capital Commitments

Capital commitments of £127,447 (2021: £77,2884) 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 2022.

31 Related Party and Other Transactions

Mr Walter Roberts is a Non-executive Director of Egdon Resources plc and also has joint control of Pinnacle Energy Limited, a company that provides legal and consultancy services to the oil and gas industry. During the year to 31 July 2022 Pinnacle Energy Limited invoiced the Group £3,420 (2021: £3,348) for legal and consultancy services provided at commercial rates and agreed by the Directors of the Company. At the year end £Nil was owing to Pinnacle Energy Limited (2021: £Nil).

Following a transaction on 24 June 2022, all of the shares previously held by Petrichor Holdings Coöperatief U.A. and other Concert Party members were transferred to Petrichor Partners LP. Petrichor Partners LP now holds 46.04% of the Company's share capital. The Directors of Egdon Resources plc do not consider that Egdon is an associate of Petrichor Partners LP, however, Petrichor Partners LP is a related party in accordance with the AIM Rules by virtue of this shareholding. During the year, Egdon Resources U.K. Limited invoiced Petrichor Energy UK Limited, a company with the same ultimate ownership as Petrichor Partners LP £4,906 (2021: £6,337) in respect of licence related costs. There was a balance of £Nil outstanding at the year owed to the Group (2021: £4,942 owed to the Group).

31 Related Party and Other Transactions (continued)

On 20 July 2021 Petrichor Holdings Cooperatief U.A. subscribed to purchase 530,480 shares for a total price of £663,100 as part of an open offer equity fund raising offer. This subscription has altered the percentage shareholding from 33.99% to 46.04%.

During the year the Directors did not subscribe to purchase ordinary shares. In the prior year the Directors subscribed to purchase 22,500 ordinary shares.

During the year the Group provided services to companies with interests in jointly controlled operations as follows:

	2022 £	2021 £
Time costs	229,824	239,523
Overhead recharged in accordance with Joint Operating Agreement	97,332	66,696
	327,156	306,219

The balances due from companies with interests in jointly controlled operations in respect of these transactions as at 31 July 2022 and 31 July 2021 are set out below:

	2022 £	2021 £
Due from companies with interest in jointly controlled operations	117,533	40,917

The Company has 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:

	2022 £	2021 £
Invoiced to subsidiary companies	1,003,429	805,635

As at 31 July 2022 the balance due to Egdon Resources plc from its subsidiary undertakings was £31,535,134 (2021: £31,938,739) as shown in Notes 17 and 18.

32 Control of The Group

There is no ultimate controlling party of Egdon Resources plc.

33 Subsequent Events

On 8 August 2022 the North Kelsey Planning appeal documentation was submitted.

On 8 September 2022 the Government announced the lifting of the moratorium on hydraulic fracturing for shale-gas.

Egdon was advised in October 2022 that the NSTA had consented to Egdon's request for a twelve-month extension to the P1929 licence obligation to acquire the 3D seismic. Egdon will now engage with the NSTA to confirm the detailed expectation in relation to this and subsequent timelines. Should the 3D survey not be acquired by April 2023, P1929 will determine in May 2023. Licence P2304 will be relinquished.

A hearing was held on 11 October 2022 in relation to the Biscathorpe planning appeal and we now await the Planning Inspector's decision.

On 27 October 2022 the incoming Government announced the re-imposition of the moratorium on hydraulic fracturing for shale-gas.

Directors, Officers and Advisors

Directors

Philip Stephens – Chairman

Mark Abbott – Managing Director

Martin Durham – Technical Director

Walter Roberts – Non-executive Director and Company Secretary

Ken Ratcliff – Non-executive Director

Tim Davies – Non-executive Director

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Joint Broker

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Statutory Auditor

CLA Evelyn Partners Limited, Chartered Accountants, 45 Gresham Street, London, EC2V 7BG

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