21 April 2020 **Embargoed for 7.00am**

EGDON RESOURCES PLC

("Egdon" or "the Group" or "the Company")

Interim Results for the Six Months Ended 31 January 2020

Egdon Resources plc (AIM: EDR), a UK-based exploration and production company primarily focused on the hydrocarbon-producing basins of onshore UK, today announces its unaudited results for the six months ended 31 January 2020 ("the Period").

Overview and Highlights

Operational and Corporate

- Production for the Period of 178 barrels of oil equivalent per day "boepd") (H1 2019: 164 boepd) in line with guidance
- Planning Consent granted on appeal for the Wressle oil field development
- Farm-out agreement signed with Shell U.K. Limited ("Shell") for P1929 and P2304 (Resolution and Endeavour undeveloped discoveries)
- Springs Road-1 analysis confirms a potentially world class hydrocarbon resource is present in the Gainsborough Trough
- The UK government has imposed a moratorium on high volume hydraulic fracturing for shale gas in England

Financial Performance

- Oil and gas revenues during the period fell to of £0.675 million (H1 2019: £1.210 million) as a result of the weak price environment
- Loss of £1.044 million (H1 2019: £0.724 million) before impairments
- Overall loss for the period of £3.235 million including £2.191 million of impairments (H1 2019: loss of £0.724 million, £Nil impairments)
- Cash and cash equivalents of £0.78 million (H1 2019: £1.78 million)
- Net current assets as at 31 January 2020 of £0.37 million (H1 2019: £2.35 million)
- Net Assets at 31 January 2020 of £27.81 million (H1 2019: £30.00 million)

Post-Period Events

- To date there has been no operational impact from the Government's restrictions imposed due to Covid-19
- An economic assessment of the Wressle development demonstrates that the project is robust in the current economic environment with a project breakeven price of $17.62/bbl
- Post well technical update indicates the potential for a material and commercially viable resource remains on the Biscathorpe project with a breakeven price of $18.07/bbl
- An equity fundraise subscription to raise £500,000 before expenses, in two tranches with funds to be used to progress near term cash generative projects such as Wressle and general working capital.

Outlook

- Production guidance for the full financial year is retained at 130-140 boepd

Our key operational focus for the coming period will be:

- Developing the Wressle oil field for production start-up in H2 2020
- Completing the farm-out of the Resolution and Endeavour projects with Shell and progressing the acquisition of the planned marine 3D seismic survey
- Progressing plans for a Biscathorpe-2 side-track well
- Maintaining the option for North Kelsey-1 exploration well for drilling in 2021
- Subject to the 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

Online Presentations

Given the current Government guidance on social distancing, no face to face meetings are possible at this time. As such an audiocast of the Interim Results Presentation is available to view via following link:

https://webcasting.buchanan.uk.com/broadcast/5e9abe8931da814c9fc6aad1

Commenting on the results, Philip Stephens, Chairman of Egdon said;

"*The highlight of the Period is undoubtedly the grant of planning consent after appeal for the development at Wressle. Our agreement with Shell with regard to our North Sea prospects and the positive results of the test drilling at Springs Road are also significant achievements.*

The current market conditions are difficult and the Board's focus will be on cost discipline and continued safe operations as we seek to navigate the near-term challenges faced by the whole Country and the specifics of our industry. We are confident that we have the right asset base and strategy to deliver long-term value for our shareholders and look forward to more normal times and progressing the exciting opportunities that your Company has."

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About Egdon Resources

Egdon Resources plc (LSE: EDR) is an established UK-based exploration and production company focused on onshore exploration and production in the hydrocarbon-producing basins of the UK.

Egdon holds interests in 44 licences in the UK and has an active programme of exploration, appraisal and development within its portfolio of oil and gas assets. Egdon is an approved operator in the UK. Egdon was formed in 1997 and listed on AIM in December 2004.

Qualified Person Review

In accordance with the AIM Rules - Note for Mining and Oil and Gas Companies, this release has been reviewed by Mark Abbott, Managing Director of Egdon, who is a geoscientist with over 30 years' experience and is a member of the Petroleum Exploration Society of Great Britain and a Fellow of the Geological Society. Mr Abbott has consented to the inclusion of the technical information in this release in the form and context in which it appears.

Evaluation of hydrocarbon volumes has been assessed in accordance with the 2018 Petroleum Resources Management System (PRMS) prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG), the Society of Petroleum Evaluation Engineers (SPEE), the Society of Exploration Geophysicists (SEG), the Society of Petrophysicists and Well Log Analysts (SPWLA) and the European Association of Geoscientists & Engineers (EAGE).

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). Upon the publication of this announcement via Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

Chairman's Statement

We are currently living through unprecedented times with considerable challenges, from both a personal and business perspective. Against this backdrop, I can report on the results for the six months ended 31 January 2020, a period before the full impact of Covid-19 was evident, but one where the Company has made significant progress in a number of key strategic areas despite the challenging headwinds.

However before reflecting on these it is important to detail how the Company has and continues to respond to the Covid-19 pandemic and its impacts.

Covid-19

The coronavirus pandemic represents a significant national and international public health emergency which has impacted all aspects of our daily lives. The primary concern and focus for the Company is the health and safety of our employees, contractors and other stakeholders. In this regard, Egdon's office-based employees have been working from home since March 2020 and will continue to do so until government guidance changes.

At our well sites we have established procedures and plans to ensure that continued safe operations are maintained in full compliance with existing Government regulations and guidelines. Oil and gas workers are considered by the Government to be 'key workers'. As such, travel to and from sites remain unrestricted for key personnel, as does the transportation of produced oil to the nearby refinery. We will continue to monitor the situation and act within Government guidelines as matters develop, but at this stage do not anticipate any adverse impacts to our production operations.

The current operating restrictions which limit access, public engagement and availability of services and materials may result in delays to future projects, with planned site operations at North Kelsey already impacted as summarised below.

Financial and Statutory Information

Production during the Period was 32,758 barrels of oil equivalent ("boe"), at an average of 178 boe per day ("boepd") (H1 2019: 30,026 boe, 164 boepd). Revenue from oil and gas production during the Period was £0.675 million (H1 2019: £1.210 million).

The Group recorded a net loss of £3.24 million for the Period, (H1 2019: loss of £0.72 million). This included impairments totalling £2.19 million (H1 2019: £Nil) which reflect the reduced oil and gas prices seen and the lower forward curves. Impairments have been made to Ceres, Dukes Wood/Kirklington and certain non-core unconventional licences (PEDL001, PEDL130, PEDL202, EXL253 and PEDL039), again reflecting reduced commodity prices and lower forward curves. The operating loss before impairments was £1.04 million (H1 2019: £0.72 million).

The Group continues to focus on managing cash resources and at the end of the Period had cash and cash equivalents of £0.78 million (2019: £1.78 million) and net current assets of £0.37 million (2019: £2.35 million). Post Period, the Company announced a subscription for £500,000, before costs, via a two stage placing of shares.

Other than future payments due under leases (recognised for the first time following the adoption of IFRS 16), the Group remains debt free.

The loss per share for the period was 1.07p (H1 2019: loss of 0.28p).

Strategy

Our strategy remains the same, although given the current moratorium on hydraulic fracturing for shale gas we have refocussed our short-term activity on conventional exploration, appraisal and production projects. The current low oil and gas price environment make our existing late life producing assets uneconomic and, as such, we have continued to focus on reducing costs and on progressing near term high impact projects as summarised below.

Operations

Production and Development Projects

Production during the Period was in line with guidance at 178 boepd (H1 2019: 164 boepd), with production attained from the Ceres gas field and the Keddington and Fiskerton Airfield oil fields.

The current historically low gas price and forward curves have resulted in an impairment of £0.506 million being made for the Ceres asset at this time.

During the Period we have completed a detailed subsurface review of the Keddington field and the surrounding licence area which indicate that gross Mean Contingent Resources of 567,000 bbls remain to be produced. This presents an opportunity to increase production via a development side-track from one of the existing wells. 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 the Louth Prospect, with a gross Mean Prospective Resource of 600,000 barrels of oil.

Looking to future growth of our production, the Wressle development (PEDL180/182: Egdon 30%) was granted planning consent on appeal on 17 January 2020 following a public inquiry in November 2019. The planning inspector also allowed Egdon's application for costs against North Lincolnshire Council and we expect to receive payment shortly.

Operational progress to date has concentrated on the enabling works which include discharging the planning conditions, finalising detailed designs, tendering and procurement of materials, equipment and services and finalising all HSE documentation and procedures. The initial work on site will be the installation of the groundwater monitoring boreholes with the main site operations occurring in the last months of the work stream. On current plans, the Company envisages first oil during H2 2020. Economic modelling has demonstrated that Wressle is economically robust even in the current low oil price environment with an estimated project break-even oil price of $17.62 per barrel. Initial production is expected to be 500 barrels of oil per day ("bopd") (150 bopd net to Egdon). The Wressle Field has been independently audited (2016 Competent Persons Report ("CPR"), ERCE) with gross 2P Reserves of 0.62 million barrels of oil ("mmbo") and 2C Resources of 1.53 mmbo.

The Company continues to review options for the restoration of production at Waddock Cross and Kirkleatham. At Waddock Cross initial indications from independent reservoir modelling are that a new horizontal well on the field could yield commercial oil volumes, albeit at high water cut, and further work is ongoing to finalise a forward plan for the field. Given the reduced likelihood in the current investment climate to rejuvenate the Dukes Wood and Kirklington sites, it has been decided to impair these assets fully at this time. Therefore, an impairment of £1.157 million has been made.

Conventional Resources Exploration and Appraisal Projects

During January 2020 we announced the signature of a Farm-In Agreement with Shell U.K. Limited ("Shell") in relation to UK offshore licences P1929 and P2304 which contain the Resolution and Endeavour gas discoveries respectively. A Competent Person's Report (Schlumberger Oilfield UK PLC) reported Mean Contingent Gas Resources of 231 billion cubic feet of gas ("bcf") attributable to the Resolution gas discovery (P1929). In addition, Egdon estimates that the Endeavour gas discovery (P2304) contains Mean Contingent Resources of 18 bcf, with a P90 to P10 range of 10 to 28 bcf.

Under the terms of the Farm-In Agreement Shell will acquire a 70% working interest in Licences P1929 and P2304, and be appointed as the licence operator. In consideration, Shell will pay 85% of the costs of the acquisition and processing of a 3D seismic survey (capped at US$5 million) covering both the Resolution and Endeavour gas discoveries and will also pay 100% of all studies and manpower costs up to a well investment decision on the Licences. The farm-in is conditional upon agreement of a mutually acceptable forward work programme and timeline with the OGA and OGA approval of the transaction. Egdon and Shell are currently engaged with the OGA to agree the nature and timing of the forward work programme and licence durations. It is a testament to the quality of the assets that despite challenging market conditions Egdon has secured a substantial carry on costs to the well investment decision, whilst retaining the optionality that a material 30% interest in the Licences provides.

During March 2020, we announced the results of an in-depth assessment of the Biscathorpe project in PEDL253 where Egdon holds a 44.75% financial interest. This follows reassignment of the licence equity interest from Humber Oil and Gas Limited who are in default and subject to ongoing legal action which is expected to go to Court in summer 2020.

The subsurface analysis which integrated the reprocessing and remapping of 264 square kilometres of 3D seismic with the results of the Biscathorpe-2 well has identified target areas with evidence for a thickened Westphalian sandstone, accessible via a side-track of the suspended Biscathorpe-2 well. The gross Mean Prospective Resources associated with the Westphalian target area are estimated by Egdon to be 3.95 mmbo, with an upside case of 6.69 mmbo. Screening conducted by Egdon indicates break-even full cycle economics to be US$18.07 per barrel with an NPV (10) valuation of £55.60 million. The results of this work lead us to conclude that a possible material and commercially viable hydrocarbon resource remains to be tested at Biscathorpe.

The side-track would also target the 57 metre live oil column logged in the underlying Dinantian Carbonate in Biscathorpe-2. Although not considered a primary target, should there be effective permeability, or fractures, the Dinantian Carbonate represents a further, potentially commercial play. The Dinantian Carbonate is estimated by Egdon to have a gross Mean Stock Tank Oil Initially in Place ("STOIIP") of 24.3 mmbo with an upside STOIIP case of 36 mmbo. The next steps will be to finalise a bottom hole target location and then progress the planning and permitting for the side-track. The OGA has approved the continuation of Licence PEDL253 into its Second Term which commences on 1 July 2020.

Our plans for site construction and drilling at North Kelsey (PEDL241: Egdon 80%) have been adversely impacted by Covid-19 restrictions. We anticipate submitting a request to Lincolnshire Council to extend the current planning by 12 months to enable these works to be undertaken during 2021.

Unconventional Resources Projects

The Group's unconventional resources acreage position in Northern England is 186,600 net acres (755km² net) with independently reported undiscovered gas in place of 50.9 TCF. This significant and potentially highly valuable position has been achieved through a series of targeted acquisitions, farm-ins and success in licensing rounds.

Egdon holds material interests in a number of key prospective geological basins. However, our core area for unconventional resources exploration is the Gainsborough Trough of Nottinghamshire, Lincolnshire and Yorkshire where the Group holds interests in 82,000 net acres.

During 2019, Egdon participated in the drilling of Springs Road-1 in the Gainsborough Trough (PEDL140: Egdon 14.5%). The results from Springs Road-1 are highly positive and confirm that a significant hydrocarbon resource is present in the Gainsborough Shales ("Bowland Shale") of the Gainsborough Trough that compares very favourably with some of the best US commercial shale plays and is potentially world class. In addition to the Gainsborough Shales, the provisional petrophysical analysis of the Millstone Grit indicates these tight gas sequences also have significant resource potential in Springs Road-1. This begins to validate Egdon's investment strategy and provides the potential for significant growth in shareholder value.

In November 2019, Government announced the introduction of a moratorium on high volume hydraulic fracturing for shale gas, based on analysis of the seismicity experienced at Preston New Road-2 by the Oil and Gas Authority ("OGA"), until new evidence is provided.

Each geological basin and site is different; the Gainsborough Trough is characterised by its simple structure and limited faulting. The OGA Report summary found that susceptibility to seismicity depends strongly on a location's specific geology. Egdon along with the rest of the industry is fully committed to working with the OGA and other regulators to demonstrate that we can operate safely and in an environmentally responsible manner.

In light of the moratorium and updated technical information we have reviewed our unconventional assets and believe it prudent and appropriate to impair certain less prospective and/or non-core licences at this time. These comprise our licences in the so-called Welbeck Low in the East Midlands and in NW England and include PEDLs 001, 039, 130, 202 and EXL253. These impairments total £0.528 million.

Outlook

In the short-term we will refocus on high impact projects within our conventional resource portfolio whilst working with the industry to demonstrate to the OGA and other regulators that we can operate safely to deliver lower emission UK gas to the market.

Production guidance for the full financial year 2019-20 is 130-140 boepd, from Ceres, Keddington and Fiskerton Airfield.

Our key activities and focus for the coming period will be:

- Carefully managing costs and cash through the current challenging operating environment
- Developing the Wressle oil field for production start-up in H2 2020
- Completing the farm-in to the Resolution and Endeavour projects with Shell and progressing the acquisition of the planned marine 3D seismic survey
- Progressing plans for a Biscathorpe-2 side-track well
- Maintaining the option for North Kelsey-1 exploration well for drilling in 2021
- 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

The Company is focussed on reducing costs and expenditure and on progressing key near term cash generative projects. In this regard a temporary reduction in staff salaries of 20% has been agreed until further notice. We will continue to keep activity under review in light of the current circumstances and are positioning the Company for growth once normality is restored.

We will also continue to review opportunities in the energy space that leverage our expertise with a focus on projects with near term predictable cashflows, opportunities to reduce costs and a low execution risk and capital requirement.

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

Philip Stephens
Chairman
21 April 2020

EGDON RESOURCES PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31 January 2020

	Unaudited Six months ended 31-Jan-20 £'000	Unaudited Six months ended 31-Jan-19 £'000	Audited Year ended 31-Jul-19 £'000
Revenue	**675**	1,210	2,196
Cost of sales - exploration costs written-off and pre-licence costs	**(95)**	(26)	(46)
Cost of sales – impairments of intangible fixed assets	**(528)**	-	(408)
Cost of sales – impairments of property, plant and equipment	**(1,663)**	-	-
Cost of sales – depreciation, excluding impairments	**(45)**	(544)	(632)
Cost of sales – amortisation of right-of-use asset	**(36)**	-	-
Cost of sales – direct production costs	**(737)**	(604)	(1,242)
Release of Ceres contract asset	**(100)**	(150)	(299)
Cost of sales – other, including shut-in fields	**(90)**	(132)	(249)
Total cost of sales	**(3,294)**	(1,456)	(2,876)
Gross loss	**(2,619)**	(246)	(680)
Administrative expenses	**(576)**	(493)	(1,066)
Other operating income	**21**	38	78
	(3,174)	(701)	(1,668)
Finance income	**1**	3	4
Finance income – net investment in sub-lease	**21**	-	-
Finance costs – unwinding of decommissioning discount	**(28)**	(26)	(53)
Finance costs – lease liability charge	**(55)**	-	-
Loss before taxation	**(3,235)**	(724)	(1,717)
Taxation	**-**	-	-
Loss for the period	**(3,235)**	(724)	(1,717)
Other comprehensive income for the period	**-**	-	-
Total comprehensive income for the period attributable to equity holders of the parent	**(3,235)**	(724)	(1,717)
Loss per share – note 3			
Basic loss per share	**(1.07)p**	(0.28)p	(0.64)p
Diluted loss per share	**(1.07)p**	(0.28)p	(0.64)p

EGDON RESOURCES PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 January 2020

	Notes	**Unaudited 31-Jan-20 £'000**	Unaudited 31-Jan-19 £'000	Audited 31-Jul-19 £'000
Non-current assets				
Intangible assets	2	**21,642**	20,315	21,781
Property, plant and equipment	2	**8,090**	10,097	9,696
Right-of-use asset		**584**	-	-
Net investment in sub-lease		**414**	-	-
Total non-current assets		**30,730**	30,412	31,477
Current assets				
Trade and other receivables		**1,588**	3,406	1,675
Cash and cash equivalents	4	**781**	1,775	1,618
Total current assets		**2,369**	5,181	3,293
Current liabilities				
Trade and other payables		**(1,886)**	(2,827)	(1,379)
Lease liability within one year		**(113)**	-	-
Total current liabilities		**(1,999)**	(2,827)	(1,379)
Net current assets		**370**	2,354	1,914
Total assets less current liabilities		**31,100**	32,766	33,391
Non-current liabilities				
Deferred consideration		**-**	(417)	-
Lease liability after one year		**(844)**	-	-
Provisions		**(2,444)**	(2,346)	(2,397)
Total non-current liabilities		**(3,288)**	(2,763)	(2,397)
Net assets		**27,812**	30,003	30,994
Equity				
Share capital		**14,984**	14,551	14,984
Share premium		**26,742**	25,202	26,742
Share-based payment reserve		**123**	177	114
Retained deficit		**(14,037)**	(9,927)	(10,846)
		27,812	30,003	30,994

EGDON RESOURCES PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 31 January 2020

	Unaudited Six months ended 31-Jan-20 £'000	Unaudited Six months ended 31-Jan-19 £'000	Audited Year ended 31-Jul-19 £'000
Cash flows from operating activities			
Loss before tax	**(3,235)**	(724)	(1,717)
Adjustments for:			
Depreciation and impairments of non-current assets	**2,282**	544	1,040
Foreign exchange loss	**-**	6	4
Decrease in inventory	**-**	8	8
Decrease/(Increase) in trade and other receivables	**86**	(2,166)	(434)
Increase in trade and other payables	**508**	2,138	229
Release of provisions	**-**	(97)	(97)
Finance costs	**83**	26	53
Finance income	**(22)**	(3)	(4)
Share based remuneration charge	**9**	-	11
Cash flow used in operations	**(289)**	(268)	(907)
Finance costs – interest paid on lease liabilities	**(35)**	-	-
Net cash flow used in operating activities	**(324)**	(268)	(907)
Investing activities			
Finance income	**1**	3	4
Payments for exploration and evaluation assets	**(390)**	(618)	(2,096)
Purchase of property, plant and equipment	**(82)**	(108)	(124)
Net cash flow used in capital expenditure and financial investment	**(471)**	(723)	(2,216)
Financing activities			
Issue of shares	**-**	-	2,166
Costs associated with issue of shares	**-**	-	(193)
Principal paid on lease liabilities	**(42)**	-	-
Net cash flow (used in)/generated from financing	**(42)**	-	1,973
Net decrease in cash and cash equivalents	**(837)**	(991)	(1,150)
Cash and cash equivalents at the start of the period	**1,618**	2,772	2,772
Effects of exchange rate changes on the balance of cash held in foreign currencies	**-**	(6)	(4)
Cash and cash equivalents at the end of the period	**781**	1,775	1,618

In the period to 31 January 2020, there were no significant non-cash transactions. In the year to 31 July 2019 significant non-cash transactions comprised the recognition of the Biscathorpe-2 abandonment provision of £125,125 (January 2019: £125,125).

EGDON RESOURCES PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 31 January 2020

	Share capital	Share premium	Share based payment reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 August 2018	14,551	25,202	177	(9,203)	30,727
Total comprehensive income for the period	-	-	-	(724)	(724)
Balance as at 31 January 2019	**14,551**	**25,202**	**177**	**(9,927)**	**30,003**
Total comprehensive income for the period	-	-	-	(993)	(993)
Issue of shares	433	1,733	-	-	2,166
Share issue costs	-	(193)	-	-	(193)
Share based payment	-	-	11	-	11
Transfer on lapse of options	-	-	(74)	74	-
Balance as at 31 July 2019	**14,984**	**26,742**	**114**	**(10,846)**	**30,994**
Effect of adoption of IFRS 16	-	-	-	44	44
1 August 2019 as restated	**14,984**	**26,742**	**114**	**(10,802)**	**31,038**
Total comprehensive income for the period	-	-	-	(3,235)	(3,235)
Share based payment	-	-	9	-	9
Balance as at 31 January 2020	**14,984**	**26,742**	**123**	**(14,037)**	**27,812**

1. General information

Egdon Resources plc ('the Company' and ultimate parent of the Group) is a public limited company listed on the AIM market of the London Stock Exchange plc (AIM) and incorporated in England. The registered office is The Wheat House, 98 High Street, Odiham, Hampshire, RG29 1LP.

This interim report was authorised for issue by the Directors on the 20 April 2020.

Basis of preparation

The financial information set out in this interim report has been prepared using accounting policies consistent with International Financial Reporting Standards as adopted for use in the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Union. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 31 July 2020.

Adoption of new and revised standards

New standards, interpretations and amendments

New standards impacting the Group that have been adopted in the interim financial statements for the six months ended 31 January 2020 are as follows:

- IFRS 16 Leases

IFRS 16

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 August 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 August 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:
(a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
(b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
(c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

Lease payments relating to leases previously accounted for as operating leases were spread on a straight-line basis over the lease term with the total lease commitment disclosed in the financial statements. The operating lease cost for the year ended 31 July 2019 was £158,595 (31 January 2019: £79,298).

From 1 August 2019, right-of-use assets are recognised in the financial statements at the carrying value that would have resulted from IFRS 16 being applied from the commencement date of the leases, subject to the practical expedients noted above.

At 31 July 2019, operating lease commitments amounted to £2,181,703 and this is not materially different to the undiscounted lease liability at 1 August 2019. From 1 August 2019, lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 August 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 10%. The lease liability of £0.96m as at 31 January 2020 represents the full discounted value of leases entered into by the Group as operator in a joint arrangement. In order to recognise the obligation of the other parties to the joint arrangement to fulfil their payment commitments under the joint operating agreement, a separate net investment in sub-lease asset has been created. This asset is recognised at the discounted value of the liability to be settled by such other parties of £0.41m as at 31 January 2020; subsequently it is increased by the unwinding of the discount and reduced by receipts from the other parties to the joint venture arrangements.

	1 August 2019 £
Minimum operating lease commitment at 31 July 2019	2,181,703
Less: effect of lease determinations reasonably certain to be exercised	(164,000)
Undiscounted lease payments	2,017,703
Less: effect of discounting	(999,920)
Lease liability	1,017,783

Non-statutory accounts

The financial information set out in this interim report does not constitute the Group's statutory financial statements for that period within the meaning of Section 434 of the Companies Act 2006. The statutory financial statements for the year ended 31 July 2019 have been delivered to the Registrar of Companies. The auditors reported on those financial statements; their report was unqualified and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006. However, in their report on the statutory financial statements for the year ended 31 July 2019, the auditor drew attention to the material uncertainty regarding the Group's ability to continue as a going concern by way of an emphasis of matter paragraph. Additionally, the auditor drew attention, by way of emphasis of matter paragraphs, to material uncertainties related to the post balance sheet announcement of a moratorium on hydraulic fracturing for shale gas in England and to the carrying value of the Resolution licences that were due to expire in November 2019.

The financial information for the six months ended 31 January 2020 and 31 January 2019 is unaudited.

Accounting policies

The condensed financial statements have been prepared under the historical cost convention, except for the inclusion of certain financial instruments at fair value.

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in preparation of the Group's financial statements for the year ended 31 July 2019, except as referred to above.

Going concern – implications of COVID-19 pandemic

The coronavirus pandemic represents a significant national and international public health emergency. The primary concern and focus for the Company is the health and safety of our employees, contractors and other stakeholders. In this regard, Egdon's office-based employees have been working from home since March 2020 and will continue to do so until government guidance changes.

At our well sites we have established procedures and plans to ensure continued safe operations are maintained in full compliance with existing Government regulations and guidelines. Oil and gas workers are considered by the Government to be 'key workers'. As such, travel to and from site remains unrestricted as does the transportation of produced oil to the nearby refinery. We will continue to monitor the situation and act within Government guidelines as matters develop, but at this stage do not anticipate any adverse impacts to our production operations.

Our plans for drilling at North Kelsey (PEDL241: Egdon 80%) have been adversely impacted by Covid-19. We anticipate submitting a request to Lincolnshire Council submit to extend the current planning by 12 months to enable works to be undertaken during 2021. We do not anticipate that this delay will have a significant negative impact on the cash flow position of the Group, and therefore on its ability to continue to operate as a going concern. Predicted future cash flows are dependent upon current timing assumptions on certain projects which should operating conditions deteriorate could be negatively impacted. However, at the present time we have a reasonable expectation that there will be no adverse impact on timing from the pandemic.

2. Impairments

Property plant and equipment

An impairment charge of £506,000 has been recognised in relation to the Ceres Oil Field. The impairment arises as a consequence of the current gas price forecast and operating pattern which has caused the Ceres production to become uneconomical. Based on the impairment reviews, the pre-tax value in the use of the Ceres Oil Field as at 31 January 2020 is £Nil and the asset has been fully impaired to reflect this.

An impairment charge of £1,156,570 has been recognised in relation to the Dukes Wood and Kirklington oil fields. The impairment arises as a consequence of the level of investment required in order for the fields to operate economically and the challenging outlook for the E&P farm-out space. Based on the impairment reviews, the pre-tax value in use of Dukes Wood and Kirklington oil fields as at 31 January 2020 is £Nil and the assets have been fully impaired to reflect this.

Intangibles

An impairment charge of £511,001 has been recognised in relation licences PEDL202, PEDL001 and PELD130. The impairment arises as these licenses are no longer deemed to have value and are considered to be marginally prospective and non-core.

An impairment charge of £16,674 has been recognised in relation to licences EXL253 and PEDL039. The impairment arises as these licenses are not deemed prospective and are now considered to be non-core.

3. Loss per share

	Unaudited Six months ended 31-Jan-20 p	Unaudited Six months ended 31-Jan-19 p	Audited Year ended 31-Jul-19 p
Basic	**(1.07)**	(0.28)	(0.64)
Diluted	**(1.07)**	(0.28)	(0.64)

The basic loss per share has been calculated on the loss on ordinary activities after taxation of £3.24m (January 2019: £0.72m; July 2019: £1.72m) divided by the weighted average number of ordinary shares in issue of 303,315,625 (January 2019: 259,984,822; July 2019: 266,870,265). The diluted loss per share has been calculated on the loss on ordinary activities after taxation of £3.24m (January 2019: £0.72m; July 2019: £1.72m) divided by the diluted weighted average number of ordinary shares in issue of 303,315,625 (January 2019: 259,984,822; July 2019: 266,870,265). In all of the reported periods, all share options in issue were excluded as their inclusion would have been anti-dilutive.

4. Cash and Cash Equivalents

	Unaudited 31-Jan-20 £'000	Unaudited 31-Jan-19 £'000	Audited 31-Jul-19 £'000
Cash at bank at floating interest rates	**126**	1,067	146
Restricted cash at bank	**208**	207	208
Non-interest bearing cash at bank	**447**	501	1,264
	781	1,775	1,618

Cash at bank at floating interest rates consisted of money market deposits which earn interest at rates set in advance for periods up to three months by reference to Sterling LIBOR. Restricted cash at bank represents amounts lodged in support of guarantee commitments, earning interest at short term rates based on Sterling LIBOR.

5. Dividend

The Directors do not recommend payment of a dividend.

6. Post-balance sheet events

The acceleration of the COVID-19 pandemic in Europe since 31 January 2020, which is a non-adjusting post balance sheet event, and its potential impact on the operations of the Group has been considered. The factor most likely to impact the Group is further downward pressure on the oil price caused by reduced worldwide demand, resulting in further impairments to the carrying value of the Group's oil and gas assets. The impairment calculations as at 31 January 2020, have been based on the assumption of an average oil price of $45/bbls in 2020 and 2021 with a return to more normal oil markets from 2022 and beyond using a price $55/bbl for 2022 and $65/bbl for subsequent years. Should the realised prices be lower than anticipated, additional impairments may be required. Additionally, current operating restrictions may result in delays to future projects, as already observed in relation to the planned drilling at North Kelsey. In the short term, such delays are likely to have a positive impact on cash flow as capital expenditure is delayed although there may be a more significant long term impact through delays in realising future revenue or licence expiry before exploration activity can be completed. In respect of this last point the OGA is likely to take a sympathetic view to licence extensions. At this stage, it is not possible to estimate the potential long term financial impact of any such delays.

On 14 April 2020, the Company announced a fundraising of approximately £500,000, before costs, via a subscription for new shares.

7. Publication of the Interim Report

This interim report is available on the Company's website www.egdon-resources.com.