

A large offshore oil rig is shown at sunset, with the sky transitioning from blue to orange. The rig is a complex of steel structures, including a tall derrick on the left and several cranes. The rig is supported by a large platform and stands on four legs. The water is dark blue with some ripples.

Deltic Energy Plc
Annual Report & Accounts 2020

DELTA
ENERGY

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Chairman's Statement

To say 2020 was a challenging year would be an under-statement in so many ways. It was a very difficult situation to manage for many in our industry but especially for those with complex offshore operations involving workers travelling to and from many places in the UK and the rest of the world. To add to the challenge, global demand along with other external factors caused commodity prices in our sector to fall dramatically.

Setting aside the direct aspects of the pandemic and the roll-out of effective vaccines around the world, we have already seen very strong signs of recovery in terms of our sector.

Just a year ago, in April 2020, a barrel of Brent Crude, a standard indicator for a range of commodities, was trading at about \$25. At the time of writing the price is above \$60 per barrel. Natural Gas prices have also recovered well.

In the same period, we have seen growing UK Government support, clearly displayed in the publication of the North Sea Transition Deal which the Government announced during March 2021. This clearly recognises the importance of our sector for the UK in terms of security of energy supply, tax receipts and jobs; balanced with our industry's need to play our part in the transition to a net-zero emissions future.

Linked to that, no statement describing our industry in April 2021 would be complete without reference to climate change and plans to tackle the problems we face across the globe as a result of its effects. 2019 was the year the UK Government led the world in being the first to sign into law a commitment to having a net-zero contribution to global greenhouse gas emissions by 2050, following the recommendations of the independent Committee on Climate Change. At Deltic, we support this position entirely and are fully committed to playing our part in the next stage of the UK's development.

This decision by the UK Government shifted the climate change argument from 'the what and the why?' in 2019 into 'the how?' in 2020. This in turn raised difficult questions and caused sensible voices to emerge with solutions showing, among other things, that natural gas is part of the solution and not part of the problem. Combined with hydrogen, carbon capture and storage (CCS) and other technologies, natural gas, the single greatest contributor to UK total energy supply in 2019, remains an important part of an affordable, reliable, low carbon energy mix for the foreseeable future. Clearly, a domestic supply of this natural resource beats imported gas in terms of jobs, Treasury receipts and environmental impact.

Deltic Energy has an excellent position within this context: Planning of our first exploration well is underway at Pensacola with Shell, a worldwide leader in Exploration and Production, as the Operator. Our CEO, Graham, will cover this in more detail but clearly this is a defining moment for our company as we prepare to drill prospects identified by Deltic. Further, this is entirely in-line with our stated strategy of building a conveyor belt of opportunities from identification and acquisition of assets through to discovery. Pensacola will be the first of many prospects to go through this process with Selene not far behind and a series of other prospects including Cadence, Cupertino and others under analysis by interested parties.

Mark Lappin
Chairman

16 April 2021

Chief Executive's Statement

The Company continues to execute its natural gas focussed exploration strategy and has built a strategic position in the Southern North Sea through a number of licensing rounds. Despite the challenges presented by Covid-19, 2020 has been a year in which Deltic has continued to make significant progress, with its licences having been advanced and the overall asset base of the Company materially expanded and diversified.

We strongly believe that this technically-led approach to portfolio development and an increasing focus on natural gas to support the energy transition will continue to deliver multiple opportunities and create value for shareholders in the coming years. Over the last year, the team has worked hard with our partner Shell to secure a positive well investment decision on the Pensacola Prospect and we are looking forward to drilling the Company's first well there in 2022. At the same time, we continue to work towards delivering a positive well investment decision on the Selene Prospect.

Pensacola & Selene

The decision to drill the Pensacola gas prospect followed a rigorous evaluation of the new 3D data acquired in 2019 and this positive outcome fully endorses our technical work and ability to identify previously missed opportunities. One of the other extremely positive outcomes from this work is the substantial de-risking of the prospect with the geological chance of success increasing from 20% (pre-3D seismic) to 55%. With gross P50 Prospective Resources estimated at 309 BCF, a successful outcome on this high impact opportunity would be transformational for Deltic and could have positive read across to other prospects in the emerging Zechstein Reef fairway, including the large Plymouth Reef prospect on licence P2428.

The Deltic-Shell JV has confirmed to the Oil and Gas Authority its intention to drill the Pensacola well, now scheduled to be drilled in May 2022 and it is intended that this rig slot will form part of a UK North Sea multi well drilling campaign by Shell. With well costs and timings being firmed up, Deltic remains comfortably funded for its 30% share of well costs.

Following a year in which such investment decisions, especially in relation to exploration, were severely curtailed across the industry, this confirmation is particularly significant and represents the achievement of a key milestone for Deltic. We are excited to be entering this next phase of our partnership with Shell and look forward to further news flow as we turn our attention to well planning and operational matters in the run up to well drilling.

On the Selene prospect on Licence P2437, the Company's other JV with Shell, the partnership has continued to progress the technical and commercial workflows required to support a well investment decision. This detailed technical work has enabled us to report a material upgrade to the estimated gas in place in the second half of 2020, which has been further refined such that we now estimate P50 Gas Initially In Place (GIIP) to be 661 BCF with P50 prospective resources of 271 BCF. This work has also further de-risked the prospect with the estimated geological chance of success having been significantly increased from 39% to 70% and confirms Selene's position as one of the largest and most attractive untested prospects in this mature Leman Sandstone fairway.

As with Pensacola, it is highly encouraging and testament to our technical team that the detailed work being undertaken by the Shell/Deltic partnership is continuing to support the previous work completed by Deltic. The technical work is substantially complete, and the JV is now focussed on project economics and well design work required to support the investment decision, with the well still expected to be drilled in the course of 2022.

Other key licences

Our technical team continues to produce exceptional work across the portfolio as they mature opportunities from the pre-application phase through to drillable prospects ready for farm-out.

During 2020, significant progress was made on licence P2428 (Cupertino Area) following the delivery of reprocessed seismic data late in 2019. The new data allowed the Company to identify new prospects and provide a significant resource update on this licence. Three distinct prospects in Plymouth, Richmond and Cupertino have been delineated in the Zechstein, Leman Sandstone and the Carboniferous respectively. Each of the prospects has the scale and potential to be commercial in their own right and with combined P50 prospective gas resources estimated at close to 1 TCF of gas (equivalent to more than 150 million barrels of oil), these prospects are highly material in terms of their scale both individually and collectively. A farm out process is now underway which has attracted a significant level of interest and our focus now is to seek to introduce the best possible partner to progress these prospects towards drilling.

The Company has also recently completed the reprocessing of legacy seismic data across licence P2424, which contains the Cortez prospects, and the interpretation and analysis is currently being completed by our technical team. The primary target on this licence is now the Cortez South prospect with estimated P50 prospective resources of over 300 BCF of gas. Once interpretation and analysis has been completed, the Company will determine the best way forward in order to progress this licence.

Chief Executive's Statement

continued

The Company's Dewar oil prospect had attracted early interest, but as a direct result of the collapse in oil prices, which remained depressed for much of 2020, this process was effectively put on hold. However, with the recent recovery in oil prices, given the relatively straightforward development, proximity to existing infrastructure and attractive economics, the company remains confident that a sustained recovery will allow the Company to complete a transaction and introduce a partner which ultimately leads to the drilling of Dewar.

Expansion of portfolio/32nd Licensing Round success

In September 2020, the Company was delighted to be able to confirm a highly successful outcome in the UK's 32nd Licensing Round with the award of six new licences covering twelve blocks and part blocks.

These newly awarded blocks are highly prospective and contain a variety of exploration prospects which will significantly enhance both our pipeline of potential drilling opportunities and the overall prospective resources associated with the Company's assets.

All of the new licences were awarded to the Company on a 100% basis, with the exception of one, which was jointly awarded with Shell UK who hold a 70% working interest. Five of the six new licences awarded to Deltic are in the Southern North Sea where the Company has now amassed a total of ten gas licences which when combined with its existing licence position, further enhances the Company's strong strategic position in the gas basin.

In addition to expanding its partnership with Shell to now include three licences, the Company was also delighted to be re-awarded a licence over block 43/11 (and 43/12) which contains the Cadence prospect. This was a big win for the Company given the TCF scale prospectivity and competition associated with this licence. With the benefit of the technical work that the Company has previously completed on Cadence, we are in a strong position to progress this licence in a relatively short timeframe.

The new licences reinforce the Company's North Sea exploration-focussed model which is based upon creating a steady 'conveyor belt' of opportunities that can be progressed to support a long-term diversified programme of exploration wells.

Change of Name

In June 2020, we completed the change of the Company's name to Deltic Energy Plc. The new name and the associated rebranding have been well received by our various stakeholders and symbolises the transition in our portfolio to a more operational phase following our farm-outs with Shell and the planned drilling activity.

Proposed bids

In July and September 2020, the Company received unsolicited approaches from two different companies regarding potential all share offers for Deltic. In both cases the Board concluded that the value implied by the offers materially undervalued Deltic and its portfolio of assets, in particular its two high impact exploration wells expected to be drilled with Shell and were not in the best interests of shareholders. Consequently, and following discussions with certain of the Company's largest shareholders, both proposed offers were rejected.

While being in an "offer period" during these times was both restricting and a distraction, we were encouraged by the level of support received from the Company's shareholders and we believe the decision not to proceed with the offers has been borne out by both the subsequent operational progress made by the Company and also the significant increase in the market value of Deltic since then.

Financial/funding

With continued strict financial discipline coupled with additional decisive steps to reduce expenditure and preserve cash throughout 2020, the Company maintained a strong balance sheet with cash of £12.0 million as at 31 December 2020. Crucially, our company remains well funded and debt free.

Outlook

With commodity prices back at pre-COVID levels, we are starting to see strong signs of recovery in the UK North Sea with significant M&A activity in the first few months of 2021, and many projects which were deferred in 2020 are expected to be restarted during this year. As the global roll-out of vaccines gathers pace and companies start to look to the future of energy and the transition to a lower carbon future, I am increasingly confident in the outlook for our Company.

Chief Executive's Statement

continued

The recent publication of the UK Government's Energy White Paper clearly recognises the important role that hydrocarbons, and especially gas, have to play in the transition to a lower carbon future. The industry as a whole is supportive of the Government's 'net zero' ambitions and Deltic's gas-focussed exploration portfolio in the Southern North Sea has a key role to play in that transition through the potential supply of natural gas to hydrogen projects in the North East of England and Bacton where Shell operates its gas terminal. The production of 'blue' hydrogen from natural gas is predicted to dominate the hydrogen economy until the late 2040s before 'green' hydrogen production technologies may become commercially competitive.

With UK gas demand more than double current domestic gas production, the prioritisation of local UK produced natural gas is key to the development of the hydrogen economy and to facilitate the energy transition. Not only will domestic UK production displace much higher carbon intensity imported LNG, it will support UK employment and allow the UK to continue to benefit significantly from the North Sea's significant remaining reserves.

At Deltic we have a strong focus on gas and specifically the Southern North Sea gas basin where ten of our thirteen licences are located. With gas clearly being a key component of the energy mix for many decades to come, we believe the fundamentals for gas remain strong. In addition, the UK remains one of the most attractive jurisdictions for oil and gas investment due to its stable operating environment, existing infrastructure, a transparent licensing process and competitive tax regime, and we expect this to influence the investment decisions of many established companies as they look to lower the carbon intensity of their global E&P portfolio. Against this backdrop, I believe Deltic is well placed to benefit from its high quality, strategic licence position and gas-focussed asset base with net resources of over 500 mmbœ.

Looking ahead, throughout 2021 and following the well commitment on Pensacola, we will be working closely with Shell throughout the well planning phase and progressing towards a well investment decision on Selene while at the same time continuing to progress the exciting prospects on the Company's other licences such as Cupertino, Cortez, Dewar and the recently awarded Cadence licence, all of which should stimulate newsflow throughout the course of this year. Looking further ahead to 2022, Deltic is in the unique position of having two high impact wells expected to be drilled with an outstanding partner in Shell, with success on either being transformational for our company.

A key part of 2020 was adapting to a new working environment and continuing to build our business while also ensuring the wellbeing of our staff. I believe we have been successful in meeting that challenge and I would therefore like to take this opportunity to thank all the members of our small, focussed team for the hard work, dedication and resilience they have demonstrated as well as our other stakeholders, in particular our partners and shareholders, for their ongoing support as we enter this exciting phase and seek to create value for our shareholders.

Graham Swindells
Chief Executive Officer

16 April 2021

Operational Review

Introduction

Despite the significant adjustment in working practices brought on by the global COVID-19 pandemic, the Company has continued to make significant progress across its gas-focussed exploration assets including a significant expansion in the number of licences and gross acreage it holds following an extremely successful outcome in the 32nd offshore licensing round.

The team has worked closely with our partners at Shell throughout the year as we built towards the positive well investment decision on the Pensacola prospect and near-term well investment decision on Selene. In addition, the technical work required to support the farm-out process on licence P2428 (Cupertino area) identified significant new prospects in the proven Leman Sandstone (Richmond prospect) and the Zechstein Reef (Plymouth prospect), which has caught the imagination of a number of our peers.

The strategic contiguous acreage position of >2,700km² that we have built in the heart of the Carboniferous and Zechstein play fairways over the last few years will continue to be the focus of our technical work and will continue to deliver a conveyor belt of high-quality gas prospects as we apply our deep geological knowledge of the area to improved legacy datasets over the coming year.

P2252 – Pensacola (30% Deltic non-operated)

The majority of 2020 was focussed on the re-processing of new 3D seismic data acquired over the Pensacola prospect in the summer of 2019. While a number of interim products were made available by Shell during the 3rd quarter of 2020, further advanced depth processing workflows were required before a final product was eventually delivered in January 2021.

A reinterpretation of the prospect has confirmed our views on the potential volumes of gas associated with the Pensacola prospect with Deltic estimating gross P50 Prospective Resources of 309 BCF (103 BCF net to Deltic). This re-interpretation of the new 3D seismic, when taken in combination with regional work on analogous fields across Europe completed by the Operator, has significantly improved our understanding of the Pensacola prospect, which in turn has allowed us to update the prospect volumetrics and significantly increase the Geological Chance of Success (GCoS) associated with the prospect.

Deltic now estimates the Pensacola prospect contains gross P50 Prospective Resources of 309 BCF with a P90-P10 range of 39 BCF to 1,181 BCF with a GCoS of 55%.

On 29 March 2021, it was announced that the Shell-Deltic JV had confirmed its intention to drill the Pensacola well to the OGA and subsequently the contingent well commitment became firm on 31 March 2021.

The Operator expects the well to be drilled in May 2022 with this timing allowing the Shell/Deltic JV to take advantage of a drilling unit that will be contracted by Shell as part of a multi-well drilling campaign which in turn brings advantageous day rates and operational efficiencies for the JV.

Deltic is fully funded for its 30% working interest in this well and we look forward to supporting Shell in their role as Operator throughout the year.

P2437 – Selene (50% Deltic operated)

Working jointly with our partners at Shell throughout 2020 has resulted in the JV having a significantly better understanding of the Selene prospect through detailed assurance of the velocity model, basin modelling and analogue reviews. This led to a significant increase in in-place resource and GCoS which was announced on 11 August 2020 where estimated P50 Gas Initially In Place (GIIP) was reported as 629 BCF with a GCoS of 70%. This confirmed Selene's status as one, if not the, largest untested prospect in the world-class Leman Sandstone fairway.

Since then, work has focussed on defining the potentially recoverable resources associated with the Selene prospect based on a review of potential production scenarios and the performance of other fields in the area with similar reservoir characteristics. The outcome of this work has resulted in a slightly revised view on both GIIP and recoverable gas and as such the Company now estimates gross P50 Prospective Resources of 271 BCF with a P90-P10 range of 83 BCF to 553 BCF. The GCoS remains unchanged at 70%.

We are currently working with Shell on a preferred well location, data collection programme and preliminary well design to support a well investment decision which we expect to occur in the near term. We remain confident that this well will be drilled during 2022.

Operational Review

continued

P2428 – Cupertino (100% Deltic)

During the course of the year, work was focussed on the re-interpretation and integration of re-processed 2D seismic data into the Company's existing geological framework. The pre-Stack Depth Migration (PSDM) re-processing of the legacy 2D data in 2019 resulted in a significant uplift in image quality at all levels and supported a re-interpretation of the Cupertino prospect and the identification of two further prospects on the licence. Following completion of technical work on the reprocessed seismic, updated volumetrics and risking for the Cupertino, Richmond and Plymouth prospects were announced on 23 November 2020 and confirmed combined P50 Prospective Resources of approximately 900 BCF with prospect GCoS ranging from 19% to 30%.

The Cupertino prospect is a large three-way dip and fault sealed prospect with potential for stacked sandstone reservoirs in the early Carboniferous Scremerston and Yoredale Formations. These reservoirs are proven producers within the basin and key trap elements including intra-Carboniferous top seal and fault seal within low net-to-gross fluvial sequences are proven in other discoveries and fields. The Cupertino prospect is estimated to contain P50 Prospective Resources of 370 BCF with a GCoS of 26%.

The Richmond prospect is a Leman Sandstone prospect with many genetic similarities to the giant Cygnus gas field which is located some 50km to the south west. The prospect has been overlooked historically due to the previous operator's misidentification of the Leman Sandstone as older Carboniferous rocks in a number of legacy wells on the periphery of the licenced acreage. This three-way dip and fault-sealed structure is estimated to contain P50 Prospective Resources of 211 BCF and have a GCoS of 20%. Both Richmond and the deeper Cupertino prospect could be evaluated with a single exploration well.

The Plymouth prospect is a reefal build-up of the Z2 Zechstein carbonate which is analogous to the Crosgan discovery and the Pensacola prospect which the Company is due to drill with Shell in 2022. The delineation of the Plymouth prospect has only been made possible by the recent reprocessing of the legacy 2D seismic data completed by Deltic which preserved significantly more low frequency seismic data and highlighted internal structures within the Zechstein which were not visible on the legacy data. The Plymouth prospect is estimated to contain P50 Prospective Resources of 282 BCF with a GCoS of 19% which we anticipate could be significantly improved following acquisition of 3D seismic over this area in the same way as the GCoS on the Pensacola prospect was upgraded based on new data.

A formal farm-out process was commenced in December 2020 and there has been a significant level of interest from established operators working within the UK Continental Shelf (UKCS) with multiple parties active in the dataroom. Given the prospects identified on the Cupertino block are imaged on mixed vintage legacy 2D seismic data, we anticipate that the acquisition of 3D data over the licence area will be a priority for any potential partner, with a future well decision aided by the interpretation of that new 3D seismic data.

P2424 – Cortez (100% Deltic)

During 2020, the work programme on the Cortez licence focussed on the reprocessing of legacy 2D data on the western part of the licence which fills a gap between 3D seismic data coverage. In total, more than 650 kilometre lines of data were re-processed to pre-SDM and significant improvements were achieved in the post-salt stratigraphy with less uplift seen in the pre-salt section which was to be expected given the vintage of the original data and relatively short cable lengths used during acquisition. The data was delivered to Deltic in December 2020, a few months later than anticipated, due to utilisation of a more advanced workflow to try and improve pre-salt imaging and some general inefficiencies due to remote working forced upon Deltic and its contractors by the current COVID pandemic.

Work has commenced on the re-interpretation and integration of this new seismic data with the primary focus being on the Cortez South prospect which is similar to the Cupertino and Cadence prospects located on contiguous licences to the east. Cortez South is currently estimated to contain P50 Prospective Resources of 331 BCF and have a GCoS of 28%, but we expect this to increase as we continue to integrate the newly reprocessed seismic data and learnings from the Cupertino area into the local geological model.

P2435 – Blackadder (25% Deltic non-op)

Operated by The Parkmead Group, the Blackadder licence has remained largely in a 'care and maintenance' state throughout 2020. We will continue to work with the licence Operator to assess the technical and commercial viability of the Blackadder prospect and expect to take a decision on the future of this licence during 2021. Deltic holds a minority (25%) non-operated position in licence P2435.

Operational Review

continued

P2352 - Dewar (100%)

The Dewar prospect in the Central North Sea was effectively placed on 'care and maintenance' at the start of the COVID-19 pandemic due to the volatility of the oil price environment during this period which resulted in significant uncertainty for many of those companies that had been participating in the farm-out process at the time. With the recovery of commodity prices and many companies now indicating a more positive outlook for exploration over the next 12 to 18 months, we will look to re-engage with those parties that were previously active in the dataroom as well as additional parties that have expressed an interest and explore potential pathways to getting the Dewar prospect drilled.

32nd Round Awards

Six new licences awarded to Deltic in the 32nd Offshore licensing round became effective on 1st December 2020. Five of these licence awards were made on a 100% basis to Deltic with the sixth licence located to the north and east of the Pensacola licence being awarded jointly with Shell.

This successful licensing round has allowed us to consolidate a strategic position in the Southern North Sea where we now hold a contiguous acreage position of approximately 2,730km² that extends from the gas fields in the Tolmount area in the south west, to Breagh in the north and towards Cygnus in the east (both of which are large producing gas fields) and covers identified play fairways in the Carboniferous, Zechstein and Triassic, Bunter Sandstone.

The most recent awards included the re-acquisition of the Cadence area across block 43/11 which forms a key link along the same highly prospective structural trend which includes the Crosgan discovery and Breagh in the west and runs through Cortez (P2424) through the newly awarded Cadence area (P2567) through to the Cupertino area (P2428) awarded in the 30th licensing round.

Three of these new licences form a significant contiguous acreage position in an underexplored part of the basin located between the Tolmount and Breagh gas fields. Although relatively immature in terms of our detailed understanding of this area we believe that there is potential in the Carboniferous, Leman Sandstone and the Zechstein and a significant legacy dataset that will respond well to modern re-processing workflows.

In addition to the five licences awarded in the Southern North Sea, Deltic was also awarded a single licence in the Central North Sea. Licence P2542 is located in a highly prospective area on the flanks of the Arbroath-Montrose high between the Glengorm discovery and the Carnoustie and Montrose fields. The licence contains the Syros oil prospect which will be evaluated during Phase A of the licence.

Future

While most people will, quite rightly, be focussed on the drilling activity on the Pensacola prospect, and potentially Selene, in 2022 the Company's subsurface team is already looking beyond this activity to future wells. The immediate focus is on the farm-out processes for the Cupertino, Cortez and Cadence licence areas which have the potential to support a significant level of exploration activity including the acquisition of new seismic data and the drilling of wells in the coming years.

In recognition of the move towards 'Net Zero' operations in the basin, the Company will look to demonstrate the importance of a gas-focussed portfolio as we transition towards a lower carbon future. The ability to combine a significant natural gas resource with new approaches to production infrastructure, such as electrification, while making the most of existing pipelines, onshore facilities and the potential to support emerging blue hydrogen and carbon capture and storage (CCUS) projects could result in future production from Deltic's portfolio having a lower CO₂ intensity than hydrocarbon production from other areas within the UK and significantly lower than that for imported gas and liquefied natural gas (LNG).

Operational Review

continued

Portfolio and Resource Summary - April 2021

The Company's current licence portfolio and prospect inventory, as of April 2021, is summarised below:

Southern North Sea

Licence Ref:	Block ID	Deltic Equity	Project ID	Discovery (D) Prospect (P) Lead (L)	Net Prospective Resource (BCF)			GCoS %
					P90 Low	P50 Best	P10 High	
P2252 ¹	41/5a, 41/10a & 42/1a	30%	Pensacola - Zechstein Reef	P	12	93	354	55
P2437	48/8b	50%	Sloop - Leman	D	4	9	19	100
			Selene - Leman	P	41	135	276	70
			Endymion - Leman	L	18	24	31	27
			Rig & Jib - Leman	L	7	18	29	35
P2428	43/7 & 43/8	100%	Cupertino - Scremerston	P	92	370	1134	26
			Richmond - Leman	P	62	211	547	20
			Richmond - Carboniferous BPU	P	9	32	97	30
			Plymouth - Zechstein	P	32	282	1267	19
P2424	42/14 & 42/15b	100%	Furasta - Bunter	D	7	18	30	100
			Burbank - Bunter	P	70	200	567	32
			Cortez - Carboniferous	L	24	107	433	29
			Cortez South - Carboniferous	L	129	331	732	28
P2567	43/11 & 43/12b	100%	Cadence - Scremerston	P	30	143	472	26
			Cadence - Fell	L	188	454	861	16
			Cordova - Millstone Grit	L	32	124	329	26
			Bassett - Bunter Sst	P	36	128	303	37
P2435 ²	47/10d & 48/6c	25%	Bathurst - Bunter Sst	L	119	275	571	22
			Bob (Teviot) - Leman	D	2.8	5.5	10.3	100
P2258 ¹	41/5b & 42/1b	30%	Blackadder - Leman	P	17.8	28.3	42.5	45
			Pensacola North		To Be Determined			
P2560	42/13b 42/17 & 42/18	100%			To Be Determined			
P2561	42/19 & 42/20b	100%			To Be Determined			
P2562	42/22 & 42/23	100%			To Be Determined			

¹ Operated by Shell

² Operated by Parkmead

Operational Review

continued

Central North Sea

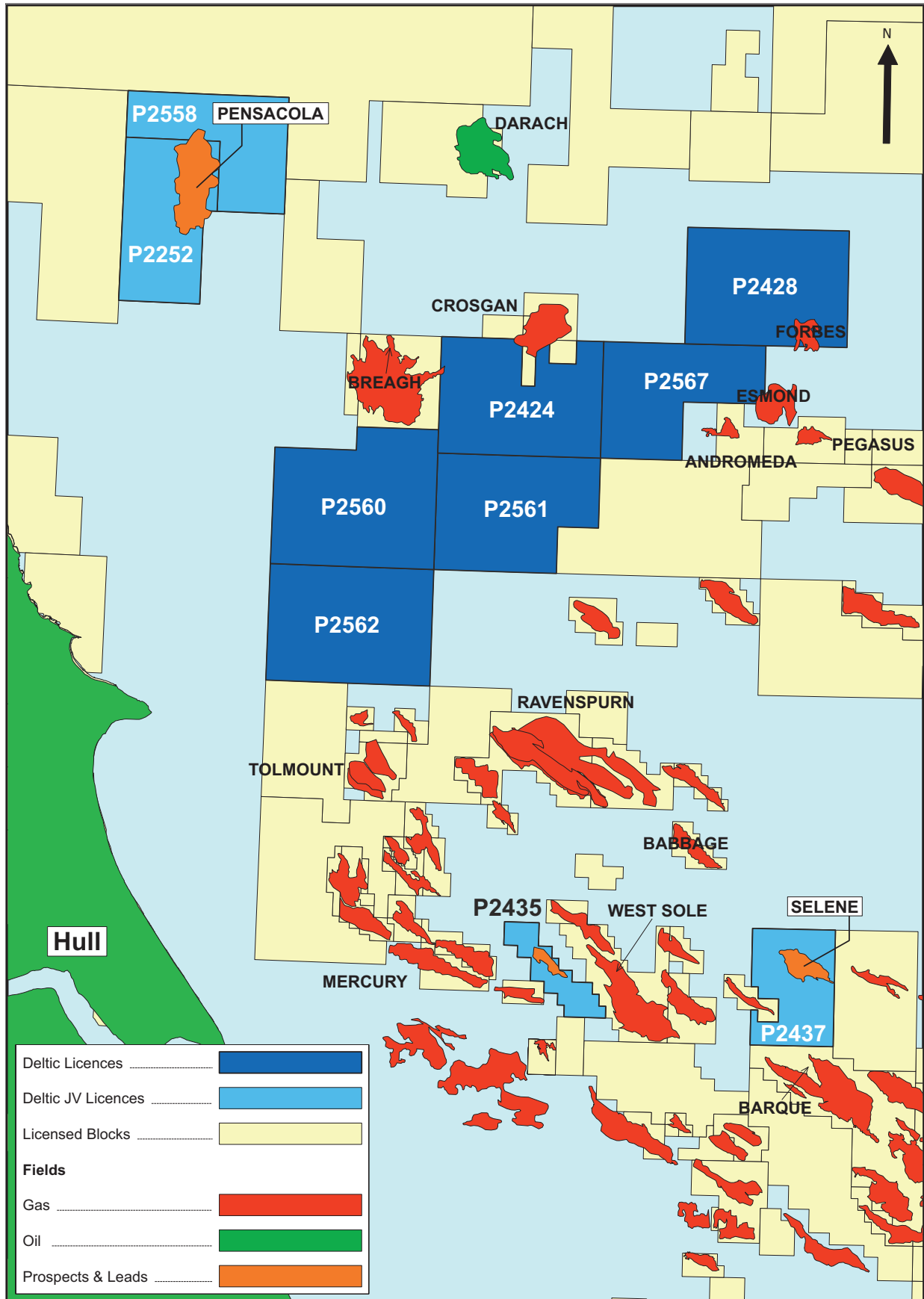
Licence Ref:	Block ID	CLNR Equity	Project ID	Discovery (D) Prospect (P) Lead (L)	Net Prospective Resource (MMBOE)			
					P90 Low	P50 Best	P10 High	GCoS %
P2352	22/24f & 22/25g	100%	Dewar - Forties	P	10.5	39.5	80.5	40
			Tesla - Pentland	D	To be determined - mean STOIP estimated @ 24 mmboe			
P2384	22/19f	100%	Manhattan Complex		To be determined			
P2542	22/17a	100%	Syros		To be determined			

A J Nunn
Chief Operating Officer

16 April 2021

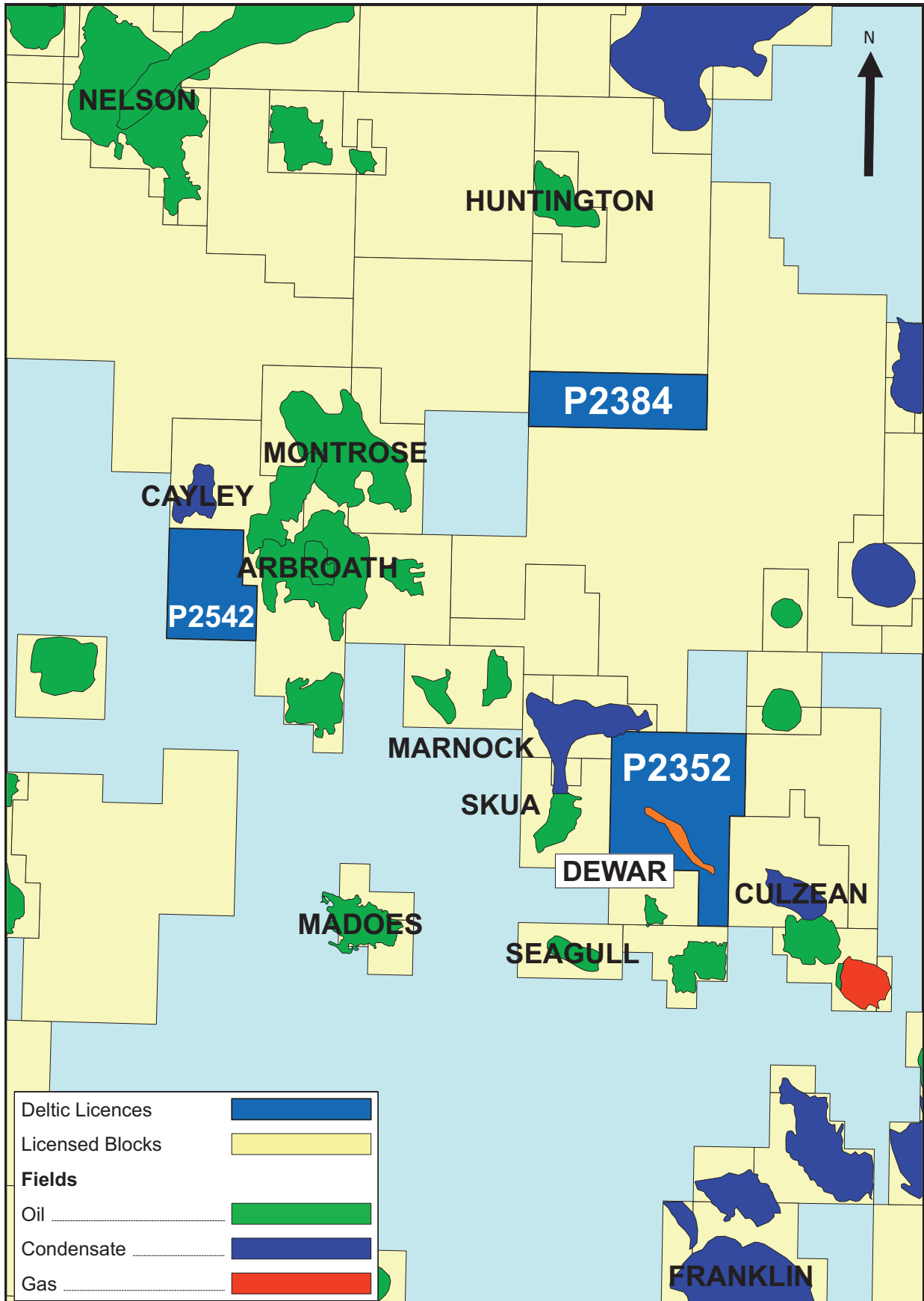
Operational Review

Our Locations - Southern North Sea



Operational Review

Our Locations - Central North Sea



Environment Social and Governance

Priorities and Supporting Policy Framework

As a responsible and diligent investor in hydrocarbon exploration and appraisal assets, the Company recognises that it is in the best interest of our investors to incorporate Environmental, Social and Governance aspects into our investment analysis, decision-making and portfolio management processes. In January 2020, the Company introduced a specific ESG Policy to support our existing Environment and Occupational Health and Safety Policies.

The Company supports the 2050 Net Zero Emissions target set out in law by the UK government and the ambitious OGUK Roadmap 2035 which aims to see the E&P industry in the UK reach Net Zero well ahead of general UK targets. These targets acknowledge the significant role that natural gas will play in achieving Net Zero and Deltic's gas focussed exploration portfolio has the potential to underpin the vital role that natural gas will undoubtedly play in blue hydrogen production over the next two to three decades.

During 2021 our focus will turn to the development of the various procedures to support standardised reporting of various metrics around health and safety performance and climate related emissions performance in-line with the Taskforce on Climate-related Financial Disclosures (TCFD) standards.

In addition to defining the extent of existing Scope 1 and Scope 2 emissions associated with the Company's current activities, we intend to commission an independent study reviewing the potential future development options for our Southern North Sea exploration portfolio including the range of potential technological, engineering and commercial options that exist to minimise the carbon intensity of these future developments and demonstrate the compatibility of low carbon intensity natural gas developments with the Net Zero targets set out by the UK government.

We recognise that this is a rapidly changing playing field but in compliance with Oil and Gas Authority Stewardship expectations the Company will initiate full reporting in line with appropriate and emerging guidance in next year's annual report.

Health & Safety Performance

The health and safety of our staff, contractors and other stakeholders is a key focus as we continue to grow the business and our operational scope. There were no reportable incidents or Lost Time Injuries reported in conjunction with the Company's activities in 2020.

The Company records health and safety performance and statistics in compliance with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR).

	2020	2019	2018
First Aid Incidents	0	0	1
Lost Time Injuries (1-7 days)	0	0	0
RIDDOR Reportable	0	0	0
Fatalities	0	0	0
Estimated Total Work Hours	9390	10095	9640

Climate Related Emissions and Energy Performance

As a non-producing office based organisation with no operated or non-operated offshore activity in the 2020 reporting period, the magnitude of climate related emissions associated with the Company's activities is limited. OGA mandatory reporting of Fugitive Methane Emissions, Scope 1 and 2 emissions per barrel of oil equivalent production and Carbon Intensity Statements are not relevant to the Company at this stage of its development, however the Company will undertake to monitor its annual total Scope 1 (Direct from gas combustion on site and vehicle fleet) and Scope 2 (Indirect from electricity purchased) until such time that the OGA defined metrics are applicable.

Currently the Company has a negligible Scope 1 emissions footprint and Scope 2 emissions are limited to electricity required to support office based activities at our registered office. The Company moved its registered office in April 2020 and monthly electricity consumption figures have been extrapolated from measured consumption to give an estimated annual consumption figure for 2020.

Environment Social and Governance continued

	Reporting Units	2020
Direct GHG Emissions (Scope 1) ^a	kgCO ₂ e	0
Indirect GHG Emissions (Scope 2) ^b	kgCO ₂ e	6,186
Total Scope 1 & 2 Emissions	kgCO ₂ e	6,186
Carbon Intensity	kgCO ₂ /boe	N/A
Methane Intensity	%	N/A
Energy Consumption ^c	kWh	26,534

a) We report GHG emissions energy consumption from our managed operations in the UK

b) Emissions from the purchase of electricity for our managed operations based on UK Government published conversion factors for 2020

c) Since 20 Jan 2020 our Fixed Business Plan, which accounts for 19,483kWh of our total Scope 2 emissions, uses 100% renewable electricity

Given the work-from-home direction from the UK Government that was in force for much of 2020 we do expect these energy consumption figures to be below average when compared to a normal working year.

Scope 3 emissions reporting, which covers all other indirect emissions generated by the activities of the organisation, will be reviewed and implemented by the Company before mandatory reporting comes into effect in 2025.

Other Emissions to Air and Water

No other potential emissions to air and water associated with Deltic's operations have been identified or reported.

Financial Review

All major expenditure in the last five years has been focussed on the development of the Company's portfolio of conventional North Sea assets in accordance with the Company's investing policy, in addition to on-going administrative expenditure.

Loss for the year

The Company incurred a loss for the year to 31 December 2020 of £1,665,575 (2019: £2,360,248). The prior year included a £801,307 charge resulting from the impairment of intangible assets following the relinquishment of Licence P2248. This occurred following the failure of the preferred bidder on Licence P2248 to demonstrate the necessary financial capacity to fund the forward work programme within a timeframe that was acceptable to the Oil and Gas Authority (OGA), resulting in the initial term of the licence expiring and the Company being required to relinquish the licence with effect from 29 March 2019. During the current year, the Company has been re-awarded the same 43/11 block which contains the Cadence prospect as part of its new licence (P2567). The previously capitalised value, which was written off in 2019, has a commercial value to the Company and the extensive work previously carried out on the Licence will be used to progress the licence towards drilling. However, under IFRS6 a previously derecognised asset cannot result in a reversal of a previously recognised impairment charge.

Administrative expenses of £1,699,344 (2019: £1,709,069) were incurred during the year. The current administrative expenses include costs associated with two unsuccessful takeover approaches that the Company received. Even with these one-off costs, administrative expenses were less than the previous year reflecting cost savings, which were communicated earlier in the year, associated with exercise of a break clause on its office and relocation to smaller, lower cost space and management of contractor costs.

Finance income of £59,818 (2019: £71,020) decreased due to lower interest-bearing deposits on surplus funds. Finance costs of £26,049 (2019: £28,763) represent the interest charge on a lease liability recognised.

Financial position

The Company's cash was £11,968,858 at 31 December 2020 (2019: £13,849,400) with the year-on-year decrease in cash being explained below.

The increase in intangible assets to £1,430,915 (2019: £1,127,942) reflects the development of the Company's exploration portfolio and in particular the technical enhancements with Licence 2437 (Selene Prospect), Licence P2428 (Cupertino Prospect) and Licence P2424 (Cortez prospect). The Company was fully carried during the year for costs associated with the P2252 Licence (Pensacola Prospect).

Property, plant and equipment of £496,542 (2019: £47,313) includes a right of use asset relating to the office lease with a net book value of £350,697 (2019: £33,545). Total liabilities, which include short-term creditors, accruals and lease liabilities, increased to £246,041 (2019: £198,656).

The decrease in total equity to £13,437,735 (2019: £14,955,576) mainly represents the loss for the year and other movements set out in the Statement of Changes in Equity.

Global economic uncertainty

The Company is in a position of relative strength in these uncertain global economic times. The Company is well positioned to capture the recovery in gas prices, has no direct exposure to oil prices, has no debt and remains well capitalised following a fundraising in July 2019.

Cash flow

In the year to 31 December 2020, the net cash outflow from operating activities was £1,368,117 (2019: £1,412,879). The net cash outflow from investing activities was £458,740 (2019: £372,389), comprising £358,672 (2019: £895,647) related to expenditure on exploration assets and £159,886 (2019: £6,426) relating to expenditure of property, plant and equipment, and interest received of £59,818 (2019: £59,549). The net cash outflow from financing activities was £53,685 (2019: £14,208,682, inflow), comprising the principal portion of lease liabilities and interest paid. The prior year financing activities related to the issue of new ordinary shares.

Consequently, in the year to 31 December 2020, the Company experienced a net cash outflow of £1,880,542 (2019: inflow of £12,423,414).

Closing cash and cash equivalents

As at 31 December 2020, the Company held cash and cash equivalents totalling £11,968,858 (2019: £13,849,400).

Shareholders' equity

As at 31 December 2020, there were 1,405,964,855 (2019: 1,405,964,855) ordinary shares in issue. Additionally, a total of up to 94,840,450 (2019: 88,308,192) new ordinary shares may be issued pursuant to the exercise of share options.

Going concern

The Directors have assessed the Company's ability to continue as a going concern. Although the oil and gas industry still faces the challenges of COVID-19, fortunately, having taken the decision to raise funds in 2019 to protect itself from market volatility, the Company is currently well funded with no debt. Based on the cash and cash equivalents balance at year end and the Company's commitments, the Directors are of the opinion that the Company has adequate financial resources to meet its budgeted exploration programme and working capital requirements, and accordingly will be able to continue and meet its liabilities as they fall due for a minimum of 12 months from the date of signing these financial statements.

Financial Review

continued

Key performance indicators

At this stage in its development, the Company is focusing on the development of its North Sea gas and oil assets, applying for additional licences, maintaining and extending existing licences, as well as the evaluation of various oil and gas opportunities that may arise. The Directors closely monitor and manage the levels of overheads and other administrative expenditure, exploration expenditure, cash and deposit balances, as set out above. As and when the Company's investments move into production, other key performance indicators (KPIs) will become relevant and will be measured and reported as appropriate.

Sarah McLeod
Chief Financial Officer

16 April 2021

Business Risks

Principal business risks

The Directors have identified the following current principal risks in relation to the Company's future performance. The relative importance of risks faced by the Company can, and is likely to change, with progress in the Company's strategy and developments in the external business environment, although these risks are currently similar to last year. The Directors have considered the potential impact of Brexit on the Company and have concluded that the risks are not significant. The Directors have also considered whether the ongoing COVID pandemic presents a risk to the business and have again concluded that the risks are not significant.

Financial

The Company's core risk is that its ability to effectively implement its business strategy and to continue as a going concern over time depends on its ability to raise additional funds. The need for and amount of any additional funds required is currently unknown and will depend on numerous factors related to the Company's current and future activities. The Company is likely to seek additional funds, through equity, or partnership arrangements, as it has successfully done in the past. There can be no assurance that any such equity, debt or joint venture financing will be available to the Company in a timely manner, on favourable terms, or at all. Any additional equity financing will dilute current shareholdings. If adequate funds are not available on acceptable terms, the Company may not be able to take advantage of opportunities, as well as possibly resulting in the delay or indefinite postponement of the Company's activities. Following the fundraising in June 2019, the Company is in a strong financial position for 2021 into 2022 and accordingly, the financial statements are prepared under a going concern basis.

Strategic

Strategy risk

The Company's strategy may not deliver the results expected by shareholders. The Directors regularly monitor the appropriateness of the strategy, taking into account both internal and external factors, and the progress in implementing the strategy, and modify the strategy as may be required based on developments. Key elements of this process are regular strategy reviews, monthly reporting, and regular Board meetings.

Competition risk

The addition of exploration licences to the Company's portfolio is subject to competition from other companies. Many of the Company's larger competitors have greater financial and technical resources and are able to devote more to the development of their business. The Company mitigates this risk by choosing where and when to deploy its business development resources.

Operational

Exploration and development risk

Activities within the Company's licences may not result in commercial development or otherwise realise value. There is no certainty of success from the existing portfolio of licences. The Company seeks to mitigate the exploration risk through the experience and expertise of the Company's specialists, and the selection criteria used by the Company when identifying prospective areas for licence applications. The Company also has an objective to seek additional exploration and development assets, in order to diversify the Company's portfolio of assets and hence risk.

Other business risks

In addition to the current principal risks identified above and general business risks, the Company's business is subject to risks inherent in hydrocarbon exploration, development and production activities. There are a number of potential risks and uncertainties which could have a material impact on the Company's long-term performance and could cause actual results to differ materially from expected and historical results.

The Directors regularly monitor such risks, using information obtained or developed from external and internal sources, and will take actions as appropriate to mitigate these. Effective risk mitigation may be critical to the Company in achieving its strategic objectives and protecting its assets, personnel and reputation. The Company assesses its risk on an ongoing basis to ensure it identifies key business risks and takes measures to mitigate these. Other steps include regular Board review of the business, monthly management reporting, financial operating procedures and anti-bribery management systems. The Company reviews its business risks and management systems on a regular basis, and through this process, the Directors believe they have identified the principal risks.

Section 172 statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain in this annual report, and reference below, how the Board engages with stakeholders.

Likely consequence of any decision in the long term

The Chairman's and Chief Executive's Statements at pages 1-4 in this Annual Report, set out the Company's long-term rationale and strategy.

Interests of Employees

The Company's Corporate Governance Statement at pages 19-21 of this Annual Report sets out under board responsibilities the processes in place to safeguard the interests of employees.

As a result of the work-from-home direction from the UK Government that was in force for much of 2020, provision has been made for remote-working by employees. The Board has also considered how employee working practices will develop beyond the COVID crisis - in particular, how more flexible and efficient ways of working seen during 2020 could be retained.

Further information is also provided in the Environment Social and Governance statement at page 12-13 of this Annual Report.

Foster business relationships with suppliers, joint venture partners and others

Potential suppliers and joint venture partners are considered in the light of their suitability to comply with the Company's policies.

Impact of operations on the community and environment

The Company has no current operations that impact upon the community or environment. However, the Company has a commitment to ensure future operations are conducted with as limited as possible environmental impact.

The Company regularly reviews its Health, Safety & Environment ('HSE') and other policies and works responsibly with suppliers, and performance is monitored on an on-going basis.

Maintain a reputation for high standards of business conduct

The Corporate Governance section of this Annual Report at pages 19-21 sets out the Board and Committee structures and extensive board and committee meetings held during 2020, together with the experience of executive management and the Board and the Company's policies and procedures.

Act fairly between stakeholders

The Board regularly reviews the Company's principal stakeholders and how it engages with them. This is achieved through information provided by management and by direct engagement with stakeholders themselves.

Investing Policy

In addition to the development of the North Sea gas licences the Company has acquired to date, the Company proposes to continue to evaluate other potential oil and gas projects in line with its investing policy, as it aims to build a portfolio of resource assets and create value for shareholders. As disclosed in the Company's AIM Admission Document in May 2012, the Company's substantially implemented Investment Policy is as follows:

The proposed investments to be made by the Company may be either quoted or unquoted; made by direct acquisition or through farm-ins; either in companies, partnerships or joint ventures; or direct interests in oil & gas and mining projects. It is not intended to invest or trade in physical commodities except where such physical commodities form part of a producing asset. The Company's equity interest in a proposed investment may range from a minority position to 100% ownership.

The Board initially intends to focus on pursuing projects in the oil & gas and mining sectors, where the Directors believe that a number of opportunities exist to acquire interests in attractive projects. Particular consideration will be given to identifying investments which are, in the opinion of the Directors, underperforming, undeveloped and/or undervalued, and where the Directors believe that their expertise and experience can be deployed to facilitate growth and unlock inherent value.

The Company will conduct initial due diligence appraisals of potential projects and, where it is believed further investigation is warranted, will appoint appropriately qualified persons to assist with this process. The Directors are currently assessing various opportunities which may prove suitable although, at this stage, only preliminary due diligence has been undertaken.

It is likely that the Company's financial resources will be invested in either a small number of projects or one large investment which may be deemed to be a reverse takeover under the AIM Rules. In every case, the Directors intend to mitigate risk by undertaking the appropriate due diligence and transaction analysis. Any transaction constituting a reverse takeover under the AIM Rules will also require Shareholder approval.

Investments in early stage and exploration assets are expected to be mainly in the form of equity, with debt being raised later to fund the development of such assets. Investments in later stage projects are more likely to include an element of debt to equity gearing. Where the Company builds a portfolio of related assets, it is possible that there may be cross holdings between such assets.

The Company intends to be an involved and active investor. Accordingly, where necessary, the Company may seek participation in the management or representation on the Board of an entity in which the Company invests with a view to improving the performance and use of its assets in such

ways as should result in an upward re-rating of the value of those assets.

Given the timeframe the Directors believe is required to fully maximise the value of an exploration project or early stage development asset, it is expected that the investment will be held for the medium to long term, although disposal of assets in the short term cannot be ruled out in exceptional circumstances.

The Company intends to deliver Shareholder returns principally through capital growth rather than capital distribution via dividends, although it may become appropriate to distribute funds to Shareholders once the investment portfolio matures and production revenues are established.

Given the nature of the Investing Policy, the Company does not intend to make regular periodic disclosures or calculations of its net asset value.

The Directors consider that as investments are made, and new investment opportunities arise, further funding of the Company will be required.

This strategic report contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business. Whilst the Directors believe the expectation reflected herein to be reasonable in light of the information available up to the time of their approval of this report, the actual outcome may be materially different owing to factors either beyond the Company's control or otherwise within the Company's control but, for example, owing to a change of plan or strategy. Accordingly, no reliance may be placed on the forward-looking statements.

On behalf of the Board

Mark Lappin
Chairman

16 April 2021

Graham Swindells
Chief Executive Officer

16 April 2021

Corporate Governance

Chairman's Introduction

As Chairman of the Company, I provide leadership, ensuring that the Board is performing its role effectively, and has the capacity, ability, structure and support to enable it to continue to do so.

As an AIM quoted company, the Company has chosen to follow the Quoted Companies Alliance's ("QCA") Corporate Governance Code 2018 (the 'QCA Code') published in April 2018. The Board recognises the value and importance of high standards of corporate governance and believes that this provides the most appropriate framework for a company of our size and stage of development.

This Governance section of the Annual Report provides an update on our Corporate Governance policy, and includes the Audit Committee Report, Remuneration Committee Report and the Directors' Report. In these reports we set out our governance structures and explain how we have applied the QCA Code and where we have departed from the code during the year. The QCA Code is set out in detail on the Company's website at www.delticenergy.com/investor-relations/corporate-governance, including an explanation as to how the Company addresses the ten key governance principles defined in the QCA Code.

In May 2019, the Company appointed me as independent non-executive Chairman. My extensive Oil & Gas technical and commercial experience including the three years I previously served as an independent non-executive director of the Company underpin my effectiveness in this role, as the Company enters its next stage of development.

Corporate Governance Statement

Board responsibilities

The Board is responsible to the Company's shareholders for the leadership, control and management of the Company. It is responsible for the long-term success of the Company and for ensuring its appropriate management and operation in pursuit of its objectives.

The Board is in constant communication and meets regularly. Its responsibilities include:

- Setting the Company's strategy
- Determining policies and values
- Establishing and maintaining the Company's system of internal control and reviewing effectiveness annually
- Identifying the major business risks faced by the Company and determining appropriate risk management
- Investing decisions
- Fundraising decisions
- Management appointments

Whilst there is a formal schedule of matters specifically reserved for approval by the Board, the two executive directors have been given responsibility for specific functional aspects of the Company's affairs.

The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Company's activities. These values are enshrined in the written policies and working practices adopted by all employees. An open culture is encouraged within the Company, with regular communications to staff regarding progress and staff feedback being regularly sought. This is especially important as a small company, in order to fully harness its human capital in pursuit of the effective development of the Company's assets, and so achieve the objectives and strategy set out in the Strategic Report and to seek to mitigate the risks and uncertainties described in the Business Risks section of the Strategic Report. The executive directors work closely with the small number of employees, so the Board is well placed to assess its culture. The Board are prepared to take appropriate action against unethical behaviour, violation of company policies or misconduct.

Composition of the Board

The Board currently comprises four Directors, of whom two are executive and two are non-executive. The Directors are all identified on page 24, together with a summary of their current and past experience, skills and personal qualities.

Non-executive Chairman

As Chairman, Mark Lappin oversees the adoption, delivery and communication of the Company's corporate governance model and is responsible for ensuring that it is maintained in line with appropriate practice and policies agreed by the Board. He is also the Company's leading ambassador, which includes presenting the Company's aims and policies to investors and other outside parties. He promotes active communication with shareholders and other stakeholders, including speaking regularly with investors and other stakeholders. He chairs the AGM and as chairman of the Board, he chairs Board meetings, ensuring that the Board regularly reviews the Company's strategy. He also oversees the composition and structure of the Board which involves regularly reviewing the overall size of the Board, the balance between executive and non-executive, age, experience, skills and personalities of the Directors.

Corporate Governance

continued

Non-executive Directors

The two Non-executive Directors (Mark Lappin and Peter Cowley) have a responsibility to challenge independently and constructively the performance of management and to help develop proposals on strategy. They sit on the Remuneration and Audit committees, enabling them to have a role in determining the pay and benefits of the executive directors, to review internal control and financial reporting matters, and to have a direct relationship with the external auditors.

Independence and Commitments

The two Non-executive Directors are considered by the Board to be independent of management. The Board believes that they continue to demonstrate an independence of character in the performance of their roles as Non-executive Directors. Their director's fees are fixed, and they do not benefit from share option awards.

The Directors are expected to attend Board meetings, meetings of Board Committees of which they are members, annual general meetings, and any other shareholder meetings convened from time to time.

All Directors have disclosed any significant commitments outside their respective duties as Directors and confirmed that they have sufficient time to discharge their duties.

Appointments

The Board believes there is an appropriate balance of skills, knowledge and personal qualities on the Board, which provides a wide range of expertise on issues relating to the Company's mission, operations, strategies and its standards of conduct. The Chairman of the Board monitors the suitability of the Board's composition on a continuing basis and will make recommendations to the Board as and when appropriate.

Board support and external advice

Internal management is available to the Board to ensure all Board and Committee meetings are conducted properly and procedures are in place for distributing meeting agendas and reports so that the Directors receive the appropriate information to be discussed in a timely manner. The Directors each receive reports which include monthly finance and management results and operational updates from the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer. Board minutes are taken by internal management and circulated for approval at the next meeting. The Company Secretary assists the Board by maintaining statutory registers and filings and assisting with organising shareholder general meetings.

Aside from the Directors' stated roles, the Board members do not have any particular internal advisory responsibilities. Where it considers it necessary to do so, the Board and Board committees may utilise external professional advisers to provide advice and guidance on any matter where they consider it prudent to seek such advice, at the Company's expense. No such external advice was sought during the year.

Board performance evaluation

The Board evaluates its performance as a whole, informally on an ongoing basis. This falls under the overall responsibility of the Chairman, taking into account the Financial Reporting Council's Guidance on Board Effectiveness. There have been no recommendations concerning the Board structure arising from the Company's Board appraisals over the year ended 31 December 2020.

Board meetings

The Board meets formally a minimum of eleven times a year, excluding Board committee meetings. The table below sets out the total number of meetings held by the Board and its Committees and records of attendance by each member eligible to attend during the year ended 31 December 2020:

	Board meetings		Audit committee ¹		Remuneration committee ¹	
	Possible	Attended	Possible	Attended	Possible	Attended
G C Swindells	14	14	3	3	-	-
A J Nunn	14	13	-	-	-	-
P N Cowley	14	12	3	3	2	2
M S Lappin	14	14	3	3	2	2

¹ Only Non-executive Directors are entitled to vote in the meetings of these Board Committees.

Other senior members of the management team and external advisors will attend, at the invitation of the Board, and as appropriate to the matters under discussion.

Corporate Governance

continued

Board committees

The Board has established an audit committee, remuneration committee and AIM compliance committee with formally delegated duties and responsibilities, as described below. Each committee's terms of reference are included on the Company's website.

Audit committee

The audit committee is responsible for monitoring the integrity of the Company's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Company's internal control and risk management systems, monitoring the effectiveness of the internal audit function and overseeing the relationship with the external auditors (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings).

The audit committee comprises Peter Cowley and Mark Lappin and is chaired by Peter Cowley. The audit committee aims to meet at appropriate times in the reporting and audit cycle and otherwise as required. The audit committee also meets regularly with the Company's external auditors.

Remuneration committee

The remuneration committee is responsible for determining and agreeing with the Board the framework for the remuneration of the Chairman and the executive directors and, within the terms of the agreed framework, determining the total individual remuneration packages of such persons including, where appropriate, bonuses, incentive payments and share options or other share awards. The remuneration of Non-executive Directors is a matter for the chairman and the executive members of the Board. No Director is involved in any decision as to his or her own remuneration.

The remuneration committee comprises Peter Cowley and Mark Lappin and is chaired by Peter Cowley. The remuneration committee meets at least twice a year and otherwise as required.

AIM compliance committee

The AIM compliance committee is responsible for ensuring that the Company complies with its obligations under the AIM Rules for Companies ("AIM Rules") and the Market Abuse Regulation (Regulation EU 596/2014) ("MAR") and, in particular makes timely and accurate disclosure of all information that is required to be disclosed to meet its disclosure obligations arising from the admission of its shares to trading on AIM and, under MAR.

The AIM compliance committee comprises Graham Swindells, Mark Lappin, Andrew Nunn and Sarah McLeod. The AIM compliance committee meets as and when required, in order to undertake its responsibilities.

Share dealing code

The Company has adopted a share dealing code for the Directors, persons discharging managerial responsibilities and applicable employees of the Company for the purpose of ensuring compliance by such persons with the provisions of the AIM Rules relating to dealings in the Company's securities (including, in particular, Rule 21 of the AIM Rules and MAR). The Directors consider that this share dealing code is appropriate for a company whose shares are admitted to trading on AIM.

On behalf of the Board

Mark Lappin
Chairman

16 April 2021

Audit Committee Report

Overview

The audit committee met three times during the year. The external auditor, BDO LLP, also attended the meetings at the invitation of the audit committee chairman.

Financial reporting

The audit committee monitored the integrity of the annual financial statements and reviewed the significant financial reporting issues and accounting policies and disclosures in the financial reports. The external auditor attended the audit committee meetings as part of the full year accounts approval process. The process included the consideration of reports from the external auditor identifying the primary areas of accounting judgements and key audit risks identified as being significant to the 2020 financial statements.

Audit committee effectiveness

Although no formal review of the effectiveness of the audit committee has been undertaken, the Board and the chairman of the audit committee believe this to be satisfactory. The chairman of the audit committee will continue to assess whether such a formal review would be appropriate or otherwise, however, it is currently not considered necessary.

External audit

The audit committee is responsible for managing the relationship with BDO LLP, the Company's external auditor since being appointed in 2012. The objectivity and independence of the external auditors is safeguarded by reviewing the auditors' formal declarations, monitoring relationships between key audit staff and the Company and reviewing the non-audit fees payable to the auditor. Non-audit services are not performed by the auditor if this would have a material effect on, or relevance to, the production of the Company's financial statements and/or involve taking decisions or making significant subjective judgements that should be the responsibility of management. During the year, amounts paid to BDO LLP for audit services totalled £22,500 (2019: £20,500) and £3,495 (2019: £7,303) for non-audit services. These non-audit services were performed by a team separate from the audit team, did not involve any subjective judgements and a member of the Company's management was identified as taking responsibility for the services provided.

Internal audit

In light of the size of the Company and its current stage of development, the committee did not consider it necessary or appropriate to operate an internal audit function during the year.

P N Cowley

Chairman, Audit Committee

16 April 2021

Remuneration Committee Report

The remuneration committee reviews the scale and structure of the executive directors' remuneration and the terms of their service contracts.

The remuneration and terms and conditions of appointment of the Non-executive Directors are set by the Board.

The remuneration committee met twice during 2020 in consideration of changes in remuneration, share option awards, bonus awards and 2021 objectives.

During the year there were no changes to the Company's pay and employment conditions and all director salary changes and bonuses were approved by the remuneration committee. A major independent, executive reward company, Mercer Kepler undertook a benchmarking exercise during 2019 on the Company's senior executive and board's remuneration and this was used in determining appropriate salaries and bonuses.

Although no formal review of the effectiveness of the remuneration committee has been undertaken, the Board and the chairman of the remuneration committee believe this to be satisfactory. The chairman of the remuneration committee will continue to assess whether such a formal review would be appropriate or otherwise.

P N Cowley

Chairman, Remuneration Committee

16 April 2021

Board of Directors

There is an appropriate breadth of experience, skills and personal qualities covering the key aspects of the business including technical, operational and financial. Although the Board are of the opinion that a lack of gender balance has not thus far impacted its capabilities, actions to address this remain under consideration. It is the responsibility of each Director to keep skills up to date with the assistance of the Chairman who has a core responsibility in addressing the development needs of the Board as a whole, with a view to enhancing its overall effectiveness.

Mark Lappin

Non-Executive Chairman

Mark has more than 35 years of experience in the oil and gas industry. Mark joined Deltic Energy as non-executive director in 2016 and became Chairman in May 2019. Prior to that Mark was Technical Director at Cuadrilla and Subsurface Director for UK and Netherlands at Centrica. Mark began his career at Phillips Petroleum and has held senior technical and commercial roles with ExxonMobil and Dart Energy. Mark is also a Visiting Professor at University of Strathclyde Centre for Energy Policy in Glasgow.

Mark's extensive technical, commercial and senior management experience in the oil and gas sector ensures that he has the ability to support the executive directors, challenge strategy and decision-making, scrutinise performance and to perform his role as Non-Executive Chairman as the Company enters its next stage of development. Mark is also a member of the Company's audit, remuneration and AIM compliance committees.

Graham Swindells

Chief Executive Officer

Graham Swindells joined the Company in May 2013 as Chief Financial Officer and became Finance Director later that year. He joined the Company from Ernst & Young where he was a Director in Public Company M&A. Graham graduated from the University of Glasgow with a Bachelor of Accountancy Degree and after qualifying as a Chartered Accountant spent two years at PricewaterhouseCoopers specialising in corporate recovery and restructuring. He subsequently specialised in corporate finance, becoming a director in corporate finance at Arbuthnot Securities during which time he focused on advising and broking small and mid-cap public companies across various sectors, but with a particular focus on natural resources. Graham became Chief Executive on 1 March 2018. Graham is chairman of the Company's AIM compliance committee.

Graham's professional, commercial and finance experience ensures that he has the necessary ability to develop and implement the Company's strategy, undertake fundraising, and oversee the management of the Company.

Andrew Nunn

Chief Operating Officer

Andrew Nunn joined the Company in May 2014 and was appointed to the Board as Chief Operating Officer in December 2014. Andrew is a Chartered Geologist with over 20 years of experience working on exploration, mining and geo-environmental projects in Europe, Australasia and Africa. For the last 10 years he has worked on a wide variety of UK and European conventional and unconventional gas projects with a primary focus on Carboniferous aged reservoirs. Andrew's previous role was as Exploration Manager for Dart Energy. He holds a B.Sc. (Hons) in Economic Geology and an M.Sc. in Environmental Management. Andrew became a Director of the Oil and Gas Independents' Association (OGIA) in February 2020. Andrew is a member of the Company's AIM compliance committee.

Andrew's technical and operational experience and professional qualifications ensure that he has the necessary ability to lead and manage the Company's technical development and operational matters.

Peter Cowley

Non-Executive Director

Peter Cowley is a geologist with over 50 years of international experience in the minerals industry and has been involved in the discovery and development of a number of gold mines in Africa. Peter was previously Managing Director of Ashanti Exploration Limited, Group Technical Director of Cluff Resources Plc, CEO of Banro Corporation and is currently President and a Director of Loncor Resources Inc. He holds M.Sc. and M.B.A. degrees and is a Fellow of I.M.M.M. Peter is chairman of the Company's audit and remuneration committees.

Peter's many years of technical experience and senior management positions in publicly listed companies ensure that he has the ability to support the executive directors, challenge strategy and decision-making, and to scrutinise performance.

Report of the Directors

The Directors present their report with the financial statements of the Company for the year ending 31 December 2020.

Principal Activity

The Company's principal activity is the exploration, evaluation and development of mineral exploration targets, with a principal focus on the development of its gas and oil licences in the Southern and Central North Sea.

Review of Business

The Company changed its name on 23 June 2020 from Cluff Natural Resources Plc to Deltic Energy Plc.

Further details of the Company's business and expected future development are also set out in the Strategic Report starting on page 1, commencing with the Chairman's Statement.

Dividends

No dividends will be distributed for the year ended 31 December 2020 (2019: nil).

Directors

The Directors of the Company during the year and their beneficial interest in the ordinary shares and share options of the Company at 31 December 2020 are set out below:

	Ordinary shares		Share options	
	2020	2019	2020	2019
M S Lappin	1,174,887	586,391	-	-
G C Swindells	2,394,836	894,836	38,654,096	38,654,096
A J Nunn	806,724	806,724	38,654,096	38,654,096
P N Cowley	1,018,489	1,018,489	-	-
	5,394,936	3,306,440	77,308,192	77,308,192

Director's Remuneration

The following table sets out an analysis of the pre-tax remuneration for the year ended 31 December 2020 for the individual Directors who held office in the Company during the year.

	2020	2020	2020	2020	2020	2019
	Salaries and fees	Bonus ¹ payments	Pension	Benefits in Kind	Total	Total
	£	£	£	£	£	£
G C Swindells	196,880	40,000	19,688	3,932	260,500	229,264
A J Nunn	184,575	40,000	18,458	2,435	245,468	215,918
P N Cowley	24,583	-	-	-	24,583	20,000
M S Lappin	49,166	-	-	-	49,166	32,151
	455,204	99,073	38,146	6,367	579,717	682,586

¹ £40,000 bonus payment paid to each of G C Swindells and A J Nunn related to 2019 performance but was paid in January 2020.

Report of the Directors continued

Share options

The share-based payment of £126,404 (2019: £164,663) to Directors represents the share-based expense relating to unvested share options during the year.

The following share options table comprises share options held by Directors who held office during the year ended 31 December 2020:

	Options held at 31 December 2019	Options granted in period	Options exercised in period	Options held at 31 December 2020	Exercise price (p)	Exercisable from	Exercisable to
G C Swindells	20,000,000	-	-	20,000,000	1.75	8 July 2022	8 July 2029
	9,000,000	-	-	9,000,000	2.32	07 June 2019	07 June 2028
	2,200,000	-	-	2,200,000	3.75	30 April 2015	30 April 2024
	7,454,096	-	-	7,454,096	1.325	10 June 2017	10 June 2026
A J Nunn	20,000,000	-	-	20,000,000	1.75	8 July 2022	8 July 2029
	8,200,000	-	-	8,200,000	2.32	07 June 2019	07 June 2028
	3,000,000	-	-	3,000,000	3.88	6 Sept 2015	22 May 2024
	7,454,096	-	-	7,454,096	1.325	10 June 2017	10 June 2026

Further details of share-based payments are set out in note 20.

Financial Instruments

Details of the use of financial instruments by the Company are contained in the Strategic Report and note 18 of the financial statements.

Subsequent Events

Events subsequent to 31 December 2020 are set out in note 21 to the financial statements on page 52.

Business Risks

A summary of the principal and general business risks can be found in the Strategic Report on page 16 and in note 18 to the financial statements.

Key Performance Indicators

At this stage in its development, the Company is focusing on the development of its North Sea gas and oil assets, applying for new licences, maintaining and extending existing licences, as well as the evaluation of various oil and gas opportunities. The Directors closely monitor certain financial information, in particular the levels of overheads and other administrative expenditure, exploration expenditure and cash and deposit balances, as set out in the Financial Review. As and when the Company moves into production, other financial, operational, health and safety and environmental KPIs will become relevant and will be measured and reported as appropriate.

Disclosure of Information to Auditors

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, BDO LLP, have expressed their willingness to continue in office as auditors, and a resolution to reappoint them will be proposed at the Annual General Meeting.

On behalf of the Board

Graham Swindells
Chief Executive Officer

16 April 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual 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 financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 profit or loss of the Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market (AIM).

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 they have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Independent Auditor's Report to the members of Deltic Energy Plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Deltic Energy Plc (the 'Company') for the year ended 31 December 2020 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity and statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the 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.

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 Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained the directors formal assessment of the Company's going concern position, which included cash flow forecasts for the period up to 30 June 2022;
- We compared the Company's plans for exploration activities as stated in their assessment against the information obtained from discussion with the Company's senior geological staff.
- We reviewed the terms of the Company's exploration licenses for any committed works;
- Planned costs for general and administrative expenditure were compared to prior year actual costs, and expected developments.
- The sensitivity of cash flows included in the forecast was reviewed, in particular the potential for overrun on the expected share of well drilling costs.

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 entity'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.

Overview

	KAM	2020 Carrying amount of exploration and assets.	2019 Carrying amount of exploration and assets.
Key audit matters			
Materiality		<i>Financial statements as a whole</i> £60,000 (2019:£50,000) based on 1.75% (2019: 1.75%) of total assets, adjusted for cash balances outside of working capital requirements	

Independent Auditor's Report continued

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement. All the audit work was undertaken by BDO LLP.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that 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. This matter was 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 this matter.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Carrying amount of exploration and evaluation assets</p> <p>The Company's exploration assets associated with seven licences represent the principal assets on the Company's statement of financial position. (Refer to note 10)</p>	<p>The Company has farm-out agreements in place with Shell U.K. Limited ("Shell") in respect of its licences P2252, and P2437, as described at note 10.</p> <p>During 2020, the Company was awarded six new licenses as part of the UK Oil and Gas Authority's ("UK OGA") 32nd licensing round.</p> <p>Management's impairment review did not note any indications of impairment</p>
	<ul style="list-style-type: none"> We reviewed the licence documentation to satisfy ourselves that the licences remained valid at 31 December 2020, as well as to confirm the dates of expiry and licence obligations. We evaluated the review by considering factors such as: the licence status and expiry date together with the history of licence extensions; the required work programme including the associated commitments and obligations; and internal and external feasibility studies. We vouched the issue of the six newly awarded licenses to supporting correspondence from the UK OGA, and confirmed the Company's title to all of its licenses to the register on the UK OGA website. We considered the progress of the Company's technical work to date on its licences, together with budgeted works, against the licence extension obligations and due dates.
	<p>Given the inherent judgement involved in the assessment of whether there are indications of impairment to the carrying amount of exploration and evaluation assets, we considered the carrying amount of exploration assets to be a key audit matter audit.</p>
	<p>Key observations:</p> <p>We found management's assessment that there were no indicators of impairment at the reporting date to be appropriate.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Independent Auditor's Report continued

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	2020	2019
Materiality	£60,000	£50,000
Basis for determining materiality	based on 1.75% of total assets, adjusted for cash balances outside of working capital requirements	based on 1.75% of total assets, adjusted for cash balances outside of working capital requirements
Rationale for the benchmark applied	We consider total assets to be the financial metric of the most interest to shareholders and other users of the financial statements given the Company's status as an oil and gas exploration company and therefore consider this to be an appropriate basis for materiality	We consider total assets to be the financial metric of the most interest to shareholders and other users of the financial statements given the Company's status as an oil and gas exploration company and therefore consider this to be an appropriate basis for materiality
Performance materiality	£45,000	£37,500
Basis for determining performance materiality	75% of materiality for the financial statements as a whole. This is based on our overall assessment of the control environment and the low level of expected misstatements	75% of materiality for the financial statements as a whole. This is based on our overall assessment of the control environment and the low level of expected misstatements

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £3,000 (2019: £2,500). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. 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.

Independent Auditor's Report

continued

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

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.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Statement of Directors' Responsibilities set out on page 27 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 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 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (IAS, the Companies Act 2006, AIM rules and the QCA Corporate Governance Code), and terms and requirements included in the Company's exploration and evaluation licenses.
- We understood how the Company is complying with those legal and regulatory frameworks by making enquiries to management, and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and other supporting documentation.
- We performed procedures to verify the title and carrying value of the Company's exploration licenses as described in the Key Audit Matter.
- Testing the appropriateness of journal entries made throughout the year by applying specific criteria to detect possible irregularities or fraud.
- We communicated identified laws and regulations throughout our team, and remained alert to any indication of non-compliance throughout the audit.

Independent Auditor's Report continued

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council'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 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jack Draycott (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, UK

16 April 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

for the year ended 31 December 2020

Continuing Operations	Notes	2020 £	2019 £
Administrative expenses:			
Impairment of intangible assets	10	-	(801,307)
Other administrative expenses		(1,699,344)	(1,709,069)
Total administrative expenses		(1,699,344)	(2,510,376)
Other operating income	10	-	107,871
Operating loss		(1,699,344)	(2,402,505)
Finance income	4	59,818	71,020
Finance costs	5	(26,049)	(28,763)
Loss before tax	6	(1,665,575)	(2,360,248)
Income tax expense	8	-	-
Loss for the year		(1,665,575)	(2,360,248)
Loss per share from continuing operations expressed in pence per share:			
Basic and diluted	9	(0.12)p	(0.24)p

Statement of Comprehensive Income

for the year ended 31 December 2020

	2020 £	2019 £
Loss for the year	(1,665,575)	(2,360,248)
Other comprehensive income	-	-
Total comprehensive expense for the year attributable to the equity holders of the Company	(1,665,575)	(2,360,248)

The notes on pages 37 to 52 form part of the financial statements.

Balance Sheet

as at 31 December 2020

	Notes	2020 £	2019 £
Assets			
Non-current assets			
Intangible assets	10	1,430,915	1,127,942
Property, plant and equipment	11	496,542	47,313
Other receivables	12	37,422	-
Total non-current assets		1,964,879	1,175,255
Current assets			
Trade and other receivables	12	53,887	129,577
Cash and cash equivalents		11,968,858	13,849,400
Total current assets		12,022,745	13,978,977
Total assets		13,987,624	15,154,232
Capital and reserves attributable to the equity holders of the Company			
Shareholders' equity			
Share capital	13	7,029,824	7,029,824
Share premium		20,296,030	20,296,030
Share-based payment reserve	20	990,378	842,644
Accumulated retained deficit		(14,878,497)	(13,212,922)
Total equity		13,437,735	14,955,576
Liabilities			
Current liabilities			
Trade and other payables	15	153,436	172,869
Lease liabilities	16	92,605	25,787
Total current liabilities		246,041	198,656
Non-current liabilities			
Lease liabilities	16	303,848	-
Total non-current liabilities		303,848	198,656
Total liabilities		549,889	198,656
Total equity and liabilities		13,987,624	15,154,232

The financial statements of Deltic Energy Plc, registered number 7958581, were approved by the Board of Directors on 16 April 2021 and were signed on its behalf by:

Graham Swindells
Chief Executive Officer

Statement of Changes in Equity

for the year ended 31 December 2020

	Share capital £	Share premium £	Share-based payment reserve £	Accumulated retained deficit £	Total equity £
Balance at 1 January 2020	7,029,824	20,296,030	842,644	(13,212,922)	14,955,576
Comprehensive income for the year					
Loss for the year	-	-	-	(1,665,575)	(1,665,575)
Total comprehensive loss for the year	-	-	-	(1,665,575)	(1,665,575)
Contributions by and distributions to owners					
Share-based payment	-	-	147,734	-	147,734
Total contributions by and distributions to owners	-	-	147,734	-	147,734
Balance at 31 December 2020	7,029,824	20,296,030	990,378	(14,878,497)	13,437,735
Balance at 1 January 2019	2,690,866	10,286,493	749,487	(10,932,012)	2,794,834
Comprehensive income for the year					
Loss for the year	-	-	-	(2,360,248)	(2,360,248)
Total comprehensive loss for the year	-	-	-	(2,360,248)	(2,360,248)
Contributions by and distributions to owners					
Issue of share capital	4,338,958	10,802,138	(79,338)	79,338	15,141,096
Expenses of issue	-	(792,601)	-	-	(792,601)
Share-based payment	-	-	172,495	-	172,495
Total contributions by and distributions to owners	4,338,958	10,009,537	93,157	79,338	14,520,990
Balance at 31 December 2019	7,029,824	20,296,030	842,644	(13,212,922)	14,955,576

The notes on pages 37 to 52 form part of the financial statements.

Statement of Cash Flows

for the year ended 31 December 2020

	2020 £	2019 £
Cash flows from operating activities		
Loss before tax	(1,665,575)	(2,360,248)
Finance income	(59,818)	(71,020)
Finance costs	26,049	28,763
Income from farm-out of licence interest	2,783	(107,871)
Depreciation	106,029	110,469
Amortisation	6,711	9,735
Impairment of intangible assets	-	801,307
Share-based payment	147,734	172,495
	(1,436,087)	(1,416,370)
(Decrease)/increase in other receivables	38,270	(17,106)
Increase in trade and other payables	29,700	20,597
Net cash outflow from operating activities	(1,368,117)	(1,412,879)
Cash flows from investing activities		
Purchase of intangible assets	(358,672)	(895,647)
Purchase of property, plant and equipment	(190,108)	(6,426)
Property, plant & equipment landlord contributions	30,222	-
Proceeds from farm-out of exploration licence interest	-	470,135
Interest received	59,818	59,549
Net cash outflow from investing activities	(458,740)	(372,389)
Cash flows from financing activities		
Proceeds of share issue	-	15,141,096
Expenses of share issue	-	(792,601)
Payment of principal portion of lease liabilities	(27,635)	(111,050)
Interest paid	(26,050)	(28,763)
Net cash (outflow)/inflow from financing activities	(53,685)	14,208,682
(Decrease)/Increase in cash and cash equivalents	(1,880,542)	12,423,414
Cash and cash equivalents at beginning of year	13,849,400	1,425,986
Cash and cash equivalents at end of year	11,968,858	13,849,400

The notes on pages 37 to 52 form part of the financial statements.

Notes to the Financial Statements

for the year ended 31 December 2020

1. Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

On 27 September 2019, the Company incorporated a subsidiary, Cluff Natural Resources Limited (previously Deltic Energy Limited), a company incorporated in England and registered at 1st Floor, 150 Waterloo Road, London, SE1 8SB. This subsidiary has been dormant from the date of incorporation and was dissolved on 5th January 2021. As it is not material for the purpose of giving a true and fair view, the Company has not consolidated its subsidiary, taking advantage of the exemption available under the Companies Act 2006 section 405, and has therefore not prepared consolidated financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstance, the result of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from this estimate. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed later in this note.

Operating loss is stated after charging and crediting all items excluding finance income and expenses.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of revision and future periods if the revision affects both current and future periods.

Going concern

The Directors have assessed the Company's ability to continue as a going concern. Although the oil and gas industry still faces the challenges of COVID-19, fortunately, having taken the decision to raise funds in 2019 to protect itself from market volatility, the Company is currently well funded with no debt. Based on the cash and cash equivalents balance at year end and the Company's commitments, the Directors are of the opinion that the Company has adequate financial resources to meet its budgeted exploration programme and working capital requirements, and accordingly will be able to continue and meet its liabilities as they fall due for a minimum of 12 months from the date of signing these financial statements.

Adoption of new and revised International Financial Reporting Standards

The Company has adopted the following standard amendment in the preparation of these financial statements. No material changes have arisen as a result:

	Effective period commencing on or after:
IAS 1: Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020

Standards effective in future periods

Certain new standards, amendments and interpretations to existing standards have been published that are relevant to the Company's activities and are mandatory for the Company's accounting periods commencing after 1 January 2021 or later periods and which the Company has decided not to early adopt. These include:

	Effective period commencing on or after:
Amendments to IAS 1: Classification of Liabilities as Current or Non-current & Disclosures of Accounting Policies	1 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	1 January 2023
Amendments to IFRS 3: Business Combinations; IAS 16: Property, Plant and Equipment; IAS 37: Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020	1 January 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendment to IFRS 16: Covid 19- Related Rent Concessions	1 June 2020

Notes to the Financial Statements

for the year ended 31 December 2020

1. Accounting Policies (continued)

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

There are no standards and interpretations in issue but not yet adopted that the Directors anticipate will have a material effect on the reported income or net assets of the Company for the year ended 31 December 2021 based on current activities.

Share-based payments

Equity-settled share-based payments to employees and Directors are measured at the fair value of the equity instrument. The fair value of the equity-settled transactions with employees and Directors is recognised as an expense over the vesting period. The fair value of the equity instruments is determined at the date of grant, taking into account market-based vesting conditions and non-vesting conditions. The fair value of goods and services received is measured by reference to the fair value of options.

The fair values of share options are measured using an appropriate valuation methodology. The expected life used in the models is adjusted, based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations.

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 (or other beneficiaries) 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 Company's best estimate of the number of equity instruments that will ultimately vest.

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional 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 (share options) is cancelled, it is treated as if it had vested on the date of cancellation if it had not yet fully vested, 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.

Where an equity-settled award is forfeited, the cumulative charge expensed up to the date of forfeiture is credited to the Income Statement. Upon expiry of an equity-settled award, the cumulative charge expensed is transferred from the Share-based payment reserve to the Accumulated retained deficit.

Impairment of exploration assets

Exploration and evaluation assets are reviewed regularly for indicators of impairment following the guidance in IFRS 6 'Exploration for and Evaluation of Mineral Resources' and tested for impairment where such indicators exist.

In accordance with IFRS 6 the Company considers the following facts and circumstances in their assessment of whether the Company's exploration and evaluation assets may be impaired:

- Whether the period for which the Company has the right to explore in a specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Whether substantive expenditure on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned;
- Whether exploration for and evaluation of reserves in a specific area have not led to the discovery of commercially viable quantities of mineable material and the Company has decided to discontinue such activities in the specific area; and
- Whether sufficient data exists to indicate that although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full, from successful development or by sale.

Notes to the Financial Statements

for the year ended 31 December 2020

1. Accounting Policies (continued)

If any such facts or circumstances are noted, the Company, as a next step, perform an impairment test in accordance with the provisions of IAS 36. In such circumstances the aggregate carrying value of the exploration and evaluation asset is compared against the expected recoverable amount of the cash-generating unit. The recoverable amount is the higher of value in use and the fair value less costs to sell. The Company assesses each licence as a separate cash-generating unit. In accordance with the provisions of IFRS 6 the level identified for the purposes of assessing the Company's exploration and evaluation assets for impairment may comprise one or more cash-generating units.

Any impairment arising is recognised in the Income Statement for the year.

Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract.

Leases with an original term not exceeding 12 months and low value leased items continue to be accounted as previously, with amounts payable being charged to the Income Statement on a straight-line basis over the lease term.

The Company recognises a right-of-use asset and a corresponding lease liability with respect to all other lease arrangements in which it is the lessee. 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 lessee uses its incremental borrowing rate.

The lease liability is presented as a separate line in the Balance Sheet.

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 Company remeasures 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 remeasured by discounting the revised lease payments using a revised 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 remeasured by discounting the revised lease payments using an unchanged 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 remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received 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 of the lease term and useful life of the underlying asset.

The depreciation starts at the commencement date of the lease.

Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic resources will result, and that outflow can be reliably measured.

Exploration and evaluation assets

Pre-licence costs associated with exploring or evaluating prospects are written off as incurred to the Income Statement.

All costs associated with exploring and evaluating prospects within licence areas, including the initial acquisition of the licence are capitalised on a project-by-project basis pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. When a decision is made to proceed to development, the related expenditures will be transferred to proven projects. Where a licence is relinquished, a project is abandoned, or is considered to be of no further commercial value to the Company, the related costs are written off.

Notes to the Financial Statements

for the year ended 31 December 2020

1. Accounting Policies (continued)

Upon farming out an exploration licence the Company, as the farmor, designates expenditure previously capitalised in respect of the licence to the partial interest retained. Cash consideration received for the farm-out is offset against the carrying value by the farmor, with any excess above the previously capitalised expenditure being accounted as a gain on disposal. Thereafter, the farmor capitalises its own share of subsequent expenditure and does not recognise the share of expenditure incurred by the farmee.

The recoverability of exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves.

Intangible exploration and evaluation assets are not depreciated and are carried forward, subject to the provisions of the Company's impairment of exploration and evaluation policy, until the technical feasibility and commercial viability of extracting hydrocarbons are demonstrable. At such point exploration and evaluation assets are assessed for impairment and any impairment charge is recognised before reclassification of the assets to a category of property, plant and equipment.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life.

The annual rate of depreciation for each class of depreciable asset is:

Leasehold improvements	over lease term
Office lease	over lease term
Fixtures & fittings	15%
Computer equipment	25%

The carrying value of property plant and equipment is assessed annually and any impairment is charged to the income statement.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable result for the year. Taxable profit differs from profit as reported in the Income Statement 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 recognised 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, and are accounted for using the balance sheet liability method. 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.

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.

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 the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements

for the year ended 31 December 2020

1. Accounting Policies (continued)

Cash and cash equivalents

Cash comprises cash on hand and demand deposits with banks.

Cash equivalents comprise bank deposits held for the purpose of meeting short-term cash commitments that are subject to an insignificant risk of changes in value and are readily convertible into known amounts of cash, subject to a notice period up to a maximum of 95 days.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorised as FVTPL or FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and other receivables fall into this category of financial instruments.

The Company assesses the expected credit losses on a forward-looking basis, defined as the difference between the contractual cash flows and the cash flows that are expected to be received, associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the simplified approach permitted by IFRS 9 is applied, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Losses are recognised in the income statement. When a subsequent event causes the amount of impairment to decrease, the decrease in impairment is reversed through the income statement.

Notes to the Financial Statements

for the year ended 31 December 2020

1. Accounting Policies (continued)

Classification and measurement of financial liabilities

The Company's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges are included within finance costs or finance income.

Equity

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments.

For the purposes of the capital management disclosures given in note 19, the Company considers its capital to be total equity.

Foreign currencies

The functional currency of the Company is Sterling. Transactions denominated in currencies other than the functional currency of the Company are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities are translated into the functional currency at the closing rates of exchange at the reporting date. Exchange differences arising from the restatement of monetary assets and liabilities at the closing rate of exchange at the reporting date or from the settlement of monetary transactions at a rate different from that at which the asset or liability was recorded are dealt with through the Income Statement.

Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Judgements

Impairment of exploration and evaluation assets (note 10)

Qualifying exploration and evaluation costs are initially classified and held as intangible assets rather than being expensed. In recording costs as exploration and evaluation assets, judgement is required as to the extent to which the costs are attributable to the discovery of specific hydrocarbon resources and include both internal and external costs. Expenditure is capitalised by reference to appropriate Cash Generating Unit ('CGU') and is assessed for impairment with reference to IFRS 6 indicators of impairment. This assessment involves judgement as to the status of licences and the likelihood of renewal of licences which expire in the near future including the ability to meet licence obligations, budgets and plans for future exploration activity and expenditure, the results of exploration activity, and assessments of future recoverable values upon development.

Where impairment indicators are identified, an impairment test is performed which requires judgment regarding factors such as:

- (i) The timing of future development of the asset;
- (ii) Funding structures and financing costs of development;
- (iii) Commercial development opportunities for extracting value from the asset; and
- (iv) Modelling inputs such as the appropriateness of discount rates, reserve and resource estimates, oil and gas pricing predictions, etc.

The carrying value of exploration and evaluation assets were assessed for indicators of impairment at 31 December 2020. In forming this assessment, the Company considered external and internal competent person's reports, the status of the licences, the extent of ongoing exploration activity and steps to secure farm-in partners and other financing which supported the carrying value.

No indicators of impairment were identified at 31 December 2020. As detailed in note 10, following the relinquishment of Licence P2248, an impairment charge of £801,307 (being its carrying value) was recognised in 2019. During the current year, the Company has been re-awarded the same 43/11 block which contains the Cadence prospect as part of its new licence (P2567) by the OGA. The previously capitalised value, that was subsequently written off in 2019, has a commercial value to the Company and the extensive work previously carried out on the Licence will be used to progress the licence towards drilling. However, under IFRS6 a previously derecognised asset cannot result in a reversal of a previously recognised impairment charge. Accordingly, Licence P2567 will be recognised in the financial statements at the cost of acquiring the new licence and eligible exploration and evaluation work performed subsequent to the date the licence was acquired.

Notes to the Financial Statements

for the year ended 31 December 2020

1. Accounting Policies (continued)

Estimates

Determination of share-based payment costs (note 20)

The determination of these costs is based on financial models. The inputs to these models are based on the Directors' judgements and estimates and are not capable of being determined with precision. Estimates were required including the expected life of the option and volatility. In addition, management were required to assess the extent to which the minimum share price vesting criteria would be met and the most likely period over which those criteria would be met.

Management concluded that the vesting criteria would be met, and the most likely outcome for the share options issued during the year was that the share price vesting criteria would be met within three years for 2,177,420 options (2019: 13,333,332 options), four years for 2,177,420 options (2019: 13,333,334 options) and five years for a further 2,177,418 options (2019: 13,333,334 options) as detailed in note 20. In reaching this conclusion management considered factors including the historical share price performance, their assessment of possible developments with respect to licences, in particular Licence P2437 and Licence P2252 following the farm-outs to Shell.

2. Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources, assessing the performance of the operating segment and making strategic decision, has been identified as the Board of Directors.

The Board of Directors consider that the Company has only one operating segment at corporate level, therefore no additional segmental information is presented.

3. Employees

	2020 £	2019 £
Wages and salaries	857,816	641,722
Short-term non-monetary benefits	17,944	25,380
Redundancy payments	7,855	-
Defined contribution pension costs	75,247	43,773
Social security costs	107,208	101,355
Share-based payment expense	147,734	172,495
	1,213,805	984,725

	2020	2019
The average monthly number of employees during the year was as follows:		
Directors	4	4
Staff	3	3
	7	7

Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

	2020 £	2019 £
Salaries and bonuses	689,944	478,315
Short-term non-monetary benefits	8,319	18,766
Consulting fees	-	30,000
Defined contribution pension costs	51,062	28,437
Social security costs	88,523	82,787
Share-based payment expense	144,751	164,663
	982,600	802,968

Directors' remuneration is disclosed in the Directors' Report on page 25, including the remuneration of the highest-paid director.

Notes to the Financial Statements

for the year ended 31 December 2020

3. Employees (continued)

Bonuses have been accrued in the current financial year but will be paid post year-end and therefore do not form part of the current year directors' remuneration figures reported earlier in this report.

Details regarding share options are set out in note 20 to the financial statements.

4. Finance Income

	2020 £	2019 £
Bank interest	58,951	71,008
Other interest	867	12
	59,818	71,020

5. Finance Costs

	2020 £	2019 £
Effective interest expense on lease liabilities (see note 16)	26,049	28,763

6. Loss before Tax

	2020 £	2019 £
The loss before tax is stated after charging/(crediting):		
Amortisation of intangible assets	6,711	9,735
Impairment of intangible assets (see note 10)	-	801,307
Depreciation - owned assets	18,531	4,247
Depreciation - right of use leased assets (office lease)	87,498	106,222
Gain on farm-out of intangible exploration asset (see note 10)	-	(107,871)

7. Auditors' Remuneration

	2020 £	2019 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	22,500	20,500
Fees payable to the Company's auditors for non-audit related services	1,995	6,073
Fees payable to the Company's auditors for other audit-related services	1,500	1,230

8. Income Tax

Analysis of income tax expense

No liability to UK corporation tax arose on ordinary activities for the year.

Factors affecting the income tax expense

The tax assessed for the year is different to the standard rate of corporation tax in the UK as explained below:

	2020 £	2019 £
Loss on ordinary activities before taxation	(1,665,575)	(2,360,248)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK (19%) (2019: 19%)	(316,459)	(448,447)
Effects of:		
Capital allowances in excess of depreciation	(20,997)	(429)
Expenses not deductible for tax purposes	219	2,375
Adjustment in relation to share based payment	28,069	32,774
Unrelieved losses carried forward	309,168	413,727
Income tax expense	-	-

A deferred tax asset of £2,686,905 (2019: £2,377,737) in respect of accumulated trading losses of £14,141,605 (2019: £12,514,406) has not been recognised due to the uncertainty and timing of future profits.

Notes to the Financial Statements

for the year ended 31 December 2020

9. Loss per Share

The Company has issued share options over ordinary shares both of which could potentially dilute basic earnings per share in the future. Further details are given in note 20.

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Due to the losses incurred during the year, a diluted loss per share has not been calculated as this would serve to reduce the basic loss per share. There were 94,840,450 (2019: 88,308,192) share incentives outstanding at the end of the year that could potentially dilute basic earnings per share in the future.

Basic and diluted loss per share

	2020	2019
Loss per share from continuing operations	(0.12)p	(0.24)p

The loss and weighted average number of ordinary shares used in the calculation of loss per share are as follows:

	2020 £	2019 £
Loss used in the calculation of total basic and diluted loss per share	(1,665,575)	(2,360,248)

Number of shares

	2020 Number	2019 Number
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	1,405,964,855	979,603,077

10. Intangible Assets

	Exploration & evaluation assets £	Software licences £	Total £
Cost			
At 1 January 2019	1,595,015	39,257	1,634,272
Additions	684,161	-	684,161
Farm-out of licence	(362,264)	-	(362,264)
Deduction - licence relinquished	(801,307)	-	(801,307)
At 31 December 2019	1,115,605	39,257	1,154,862
Additions	309,685	-	309,685
At 31 December 2020	1,425,290	39,257	1,464,547
Amortisation and impairment			
At 1 January 2019	-	17,185	17,185
Charge for year	-	9,735	9,735
Impairment	801,307	-	801,307
Deduction - licence relinquished	(801,307)	-	(801,307)
At 31 December 2019	-	26,920	26,920
Charge for year	-	6,711	6,711
At 31 December 2020	-	33,632	33,632
Net Book Value			
At 31 December 2020	1,425,290	5,625	1,430,915
At 31 December 2019	1,115,605	12,337	1,127,942
At 1 January 2019	1,595,015	22,072	1,617,087

The net book value of exploration and evaluation assets at 31 December 2020 and 2019 relates solely to the Company's North Sea Licences.

Notes to the Financial Statements

for the year ended 31 December 2020

10. Intangible Assets (continued)

In the prior year, following the failure of the preferred bidder on Licence P2248 (block 43/11), (which contains the Cadence Prospect) to demonstrate the necessary financial capacity to fund the forward work programme within a timeframe that was acceptable to the OGA, the initial term of the licence expired and the Company was required to relinquish the licence with effect from 29 March 2019. As a consequence, the exploration asset relating to Licence P2248 was fully impaired in 2019 and an impairment charge of £801,307 included in the Income Statement for that year.

During the current year, the Company has been re-awarded the same 43/11 block which contains the Cadence prospect as part of its new licence (P2567) by the OGA. The previously capitalised value, that was subsequently written off in 2019, has a commercial value to the Company and the extensive work previously carried out on the Licence will be used to progress the licence towards drilling. However, under IFRS6 a previously derecognised asset cannot result in a reversal of a previously recognised impairment charge. Accordingly, Licence P2567 will be recognised in the financial statements at the cost of acquiring the new licence and eligible exploration and evaluation work performed subsequent to the date the licence was acquired.

Aggregate cash proceeds arising from the farm-out of Licence P2437 to Shell during the prior year amounted to £470,135. An amount of £362,264 was deducted from exploration and evaluation assets, being the previously capitalised expenditure relating to that licence. The surplus of the proceeds over the carrying value amounted to £107,871 and was recognised as a gain on disposal of the partial interest and included as other operating income in the Income Statement for the prior year.

Additions of £309,685 (2019: £684,161) differ to the cash flows in the Statement of Cash Flows owing to a decrease in trade and other payables of £48,987 (2019: £211,486 decrease) relating to intangible assets.

11. Property, Plant and Equipment

	Leasehold improvements £	Office lease £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 January 2019	-	-	7,854	12,999	20,853
Additions	-	-	-	6,227	6,227
Recognition upon adoption of IFRS 16 (see note 16)	-	380,498	-	-	380,498
Deductions ¹	-	(240,731)	-	-	(240,731)
At 31 December 2019	-	139,767	7,854	19,226	166,847
Additions	86,452	404,650	42,463	24,477	558,042
Disposals	-	(139,767)	(7,655)	(5,783)	(153,205)
At 31 December 2020	86,452	404,650	42,662	37,920	571,684
Depreciation					
At 1 January 2019	-	-	5,580	3,485	9,065
Charge for year	-	106,222	927	3,320	110,469
At 31 December 2019	-	106,222	6,507	6,805	119,534
Charge for year	7,583	87,498	3,226	7,722	106,029
Disposals	-	(139,767)	(6,638)	(4,016)	(150,421)
At 31 December 2020	7,583	53,953	3,095	10,511	75,142
Net Book Value					
At 31 December 2020	78,869	350,697	39,567	27,409	496,542
At 31 December 2019	-	33,545	1,347	12,421	47,313
At 1 January 2019	-	-	2,274	9,514	11,788

The office lease category reflects a right of use asset relating to the office premises occupied by the Company.

¹ The deductions from the office lease reflects a reduction in liability upon exercise of a break clause (see note 16).

Following the execution of the break clause in the previous registered office, during the year, the Company moved to new smaller office premises, entering into a new lease and relinquishing the previous office lease. As a result of which the fully depreciated right of use lease asset for the previous office has been disposed.

Notes to the Financial Statements

for the year ended 31 December 2020

12. Trade and Other Receivables

	2020 £	2019 £
Current:		
Trade receivables	3,655	-
Other receivables	192	11,471
Other tax receivables	6,437	20,834
Rental deposit	-	53,688
Prepayments	43,602	43,584
	53,887	129,577
Non-current:		
Rental deposit	37,422	-
Total receivables	91,309	129,577

During the year, no impairments were recognised. During the year, the rental deposit was recovered less dilapidations charges in relation to the former office rental.

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

13. Share Capital

Allotted, issued and fully paid

Year ended December 2020		Number	£
At beginning of the year	Ordinary shares of 0.5 pence each	1,405,964,855	7,029,824
Issue of shares		-	-
At end of the year	Ordinary shares of 0.5 pence each	1,405,964,855	7,029,824
Year ended December 2019		Number	£
At beginning of the year	Ordinary shares of 0.5 pence each	538,173,289	2,690,866
Issue of shares		867,791,566	4,338,958
At end of the year	Ordinary shares of 0.5 pence each	1,405,964,855	7,029,824

On 6 June 2019, the Company announced that it had raised approximately £15 million, before expenses, through the aggregate placing and subscription of 857,142,857 new ordinary shares. The shares were allotted and admitted to trading on AIM on 1 July 2019.

On 13 February 2019, the Company announced the exercise by a previous director of the Company of options over 10,648,709 new ordinary shares at an exercise price of 1.325 pence per share. The shares were allotted and admitted to trading on AIM on 15 February 2019.

14. Reserves

Reserves	Description and purpose
Share capital	Nominal value of shares issued.
Share premium	Amount subscribed for share capital in excess of nominal value.
Share-based payment reserve	Fair value of share options issued.
Accumulated retained deficit	Cumulative net losses recognised in the statement of comprehensive income.

Details of movements in each reserve are set out in the Statement of Changes in Equity on page 35.

Notes to the Financial Statements

for the year ended 31 December 2020

15. Trade and Other Payables

	2020	2019
	£	£
Current:		
Trade payables	50,197	69,348
Social security and other taxes	30,188	25,704
Other payables and accruals	73,051	77,817
	153,436	172,869

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

16. Lease Arrangements

Right of use assets

The Company uses leasing arrangements for its office for which a right of use asset is included in property, plant and equipment.

When a lease begins, a liability and right of use asset are recognised based on the present value of future lease payments.

The movements in the right of use asset are presented under the office lease category in note 11.

Lease liabilities

	2020	2019
	£	£
Amounts payable at 1 January	25,787	-
Recognition of office lease liability upon adoption of IFRS 16	-	377,568
Additions	398,301	-
Effective interest expense	26,049	28,763
Lease payments	(53,684)	(139,813)
Adjustment upon exercise of break clause	-	(240,731)
Amounts payable within one year at 31 December	92,605	25,787
Amounts payable after year at 31 December	303,848	-

During the year, the Company moved to new office premises, entering into a new lease and relinquishing the previous office lease. As a result of which the fully depreciated right of use lease asset for the previous office has been disposed and a new right of use lease asset recognised.

During the prior year, the Company exercised a lease break clause in relation to the former office lease. As a result, the discounted lease liability was recalculated as at the date of exercising the lease break option and the lease liability was reduced accordingly by £240,731. This was also reflected as a reduction in the right of use asset within property, plant and equipment (see note 11).

17. Related Party Disclosures

Parties are considered to be related if one party is under common control or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Key management personnel are considered to be the Directors of the Company and Persons Discharging Managerial Responsibility. Disclosure regarding remuneration of key management is provided in note 3.

During the year, Mark Lappin, the Company's Non-Executive Chairman, purchased 588,496 ordinary shares, in the market, at the market price of 0.85 pence. Graham Swindells, the Company's Chief Executive Officer, purchased 1,500,000 ordinary shares at an average market price of 0.81 pence. Sarah McLeod, the Company's Chief Financial Officer, purchased 579,942 at a market price of 0.86 pence.

Notes to the Financial Statements

for the year ended 31 December 2020

18. Financial Instruments

Principal financial instruments

The principal financial instruments used by the Company from which the financial risk arises are as follows:

	2020	2019
	£	£
Financial assets		
Cash and cash equivalents – all amounts held in Sterling:		
Cash at bank	11,968,858	242,364
Short-term bank deposits ¹	-	13,607,036
	11,968,858	13,849,400
Rental deposit	37,422	53,688
Trade receivables	3,655	-
Other receivables	192	11,471
	12,010,127	13,914,559
Financial liabilities		
Trade payables	50,197	69,348
Other payables & accruals	73,051	77,817
Lease liabilities ²	396,453	25,787
	519,700	172,952

1 Short-term bank deposits comprise deposits that are available upon giving notice ranging from 32 to 95 days.

2 £92,605 of the lease liability is payable within one year and £303,848 is payable greater than one year.

General objectives and policies

The overall objective of the Board is to set policies that seek to reduce as far as practical without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are:

Policy on financial risk management

The Company's principal financial instruments comprise cash and cash equivalents, other receivables, trade and other payables. The Company's accounting policies and methods adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are set out in note 1 – "Accounting Policies".

The Company does not use financial instruments for speculative purposes. The carrying value of all financial assets and liabilities approximates to their fair value.

Derivatives, financial instruments and risk management

The Company does not use derivative instruments or other financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

Foreign currency risk management

The Company has very limited transactional currency exposures as all projects currently undertaken are based in the UK.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties. The Company's exposure and the credit ratings of its counterparties are monitored by the Board of Directors to ensure that the aggregate value of transactions is spread amongst approved counterparties.

The Company applies IFRS 9 to measure expected credit losses for receivables, these are regularly monitored and assessed. Receivables are subject to an expected credit loss provision when it is probable that amounts outstanding are not recoverable as set out in the accounting policy. The impact of expected credit losses was immaterial.

The Company's principal financial assets are cash and cash equivalents and other receivables. Cash and cash equivalents include amounts held on deposit with financial institutions, including deposits subject to notice periods of no more than 95 days.

Notes to the Financial Statements

for the year ended 31 December 2020

18. Financial Instruments (continued)

The credit risk on liquid funds held in current accounts available on demand and notice account deposits is limited because the Company's counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

No financial assets have indicators of impairment.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recorded in the financial statements.

Borrowings and interest rate risk

The Company currently has no borrowings.

The Company's principal financial assets are cash and cash equivalents and other receivables. Cash equivalents include amounts held on deposit with financial institutions. The effect of variable interest rates is not significant.

Liquidity risk

During the year ended 31 December 2020, the Company was financed by cash raised through equity funding in the prior year. Funds raised surplus to immediate requirements are held as short-term cash deposits in Sterling.

The maturities of the cash deposits are selected to maximise the investment return whilst ensuring that funds will be available as required to maintain the Company's operations.

In managing liquidity risk, the main objective of the Company is to ensure that it has the ability to pay all of its liabilities as they fall due. The Company monitors its levels of working capital to ensure that it can meet its liabilities as they fall due.

The table below shows the undiscounted cash flows on the Company's financial liabilities as at 31 December 2020 and 31 December 2019 on the basis of their earliest possible contractual maturity.

	Total £	Within 2 months £	Within 2 – 6 months £	Within 6 – 12 months £	Within 1 – 2 years £	Within 2 – 5 years £
At 31 December 2020						
Trade payables	50,197	50,197	-	-	-	-
Other payables & accruals	73,051	36,629	36,422	-	-	-
Lease liabilities	481,938	8,946	57,761	60,490	124,740	230,000
	605,185	95,772	94,183	60,490	124,740	230,000
At 31 December 2019						
Trade payables	69,348	69,348	-	-	-	-
Other payables & accruals	77,817	-	77,817	-	-	-
Lease liabilities	26,409	-	26,409	-	-	-
	173,574	69,348	104,224	-	-	-

19. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to provide returns for shareholders and to maintain an optimal capital structure to manage the cost of capital effectively. The Company defines capital as being share capital plus reserves. The Board of Directors monitor the level of capital as compared to the Company's commitments and, where necessary, adjusts the level of capital as is determined to be necessary by issuing new shares.

The Company was financed by equity in the year ended 31 December 2020 following equity fundraising completed in the prior year. Based on the cash and cash equivalents balance at year end and the Company's commitments, the Company has adequate financial resources to cover its budgeted exploration and development programme and meet its other operational obligations as they fall due within the going concern period.

The Company is subject to an externally imposed capital requirement of maintaining a minimum of £50,000 authorised share capital, which it has met in both reporting periods presented.

Notes to the Financial Statements for the year ended 31 December 2020

20. Share-Based Payments

The Company share options are equity-share-based payments as defined in IFRS 2. This standard requires that a recognised valuation methodology be employed to determine the fair value of share options granted. The total share-based payment charge for the year has been derived through applying the Black Scholes model.

Share options

The Company's Share Option Plan pursuant to which options over ordinary Shares may be granted to Directors and employees of the Company, commenced on 4 May 2012. On 31 July 2014, an Enterprise Management Incentives Plan (EMI Plan) was adopted and options held by employees under the Share Option Plan became governed by the EMI Plan at that date.

Any employed Director or employee of the Company is eligible to receive grants under the EMI Plan. Non-executive Directors are not eligible to receive grants. Options are non-transferable except in the case of an option holder's death, in which case the outstanding options may be exercised by the personal representatives of the option holder.

The maximum number of ordinary Shares in respect of which options can be granted under the EMI Plan is 20 per cent. of the Company's issued ordinary share capital, including all awards made over the 10 years preceding the date of the grant. This limit also includes any rights granted under any other employee share incentive arrangements operated by the Company but excludes rights that: (i) have lapsed, been forfeited or released; (ii) will be met by the transfer of shares already in issue; or (iii) are granted to replace an award over shares in a Company acquired by the Company.

The Board of Directors has absolute discretion to grant options, subject to any time vesting or performance conditions that it outlines. The grant of options will be evidenced by an option agreement.

6,532,258 options were granted during the year to 31 December 2020 under the scheme (2019: 40,000,000) and no options expired (2019: nil).

No share options were exercised during the current year. During the prior year, a previous director exercised 10,648,709 share options at an exercise price of 1.325p per share.

The Company recognised a total share-based payment expense of £147,734 for the year ended 31 December 2020 (2019: £172,495) in respect of share options.

The inputs to the Black-Scholes model for options issued in the current and prior year were as follows:

Black Scholes Model	15 June 2020	15 June 2020	15 June 2020
Share Price	0.675p	0.675p	0.675p
Exercise price	1.55p	1.55p	1.55p
Expected Volatility	62.22%	62.22%	62.22%
Risk Free Rate of Interest	(0.0095)%	(0.0095)%	(0.0095)%
Expected Dividend Yield	0.00%	0.00%	0.00%
Expected Life	6.5 years	7.0 years	7.5 years
Number of options issued	2,177,420	2,177,420	2,177,418

Black Scholes Model	8 July 2019	8 July 2019	8 July 2019
Share Price	1.75p	1.75p	1.75p
Exercise price	1.75p	1.75p	1.75p
Expected Volatility	69.73%	69.73%	69.73%
Risk Free Rate of Interest	0.4933%	0.4933%	0.4933%
Expected Dividend Yield	0.00%	0.00%	0.00%
Expected Life	6.5 years	7.0 years	7.5 years
Number of options issued	13,333,332	13,333,334	13,333,334

Under the terms of the options granted during the year, 2,177,420 options (2019: 13,333,332 options) will vest following the share price reaching 2.06p (2019: 2.33p) for 30 consecutive days at any time prior to expiry of the options, 10 years from the grant date, plus a further holding period of two years, but no earlier than three years after the grant date.

A further 2,177,420 options (2019: 13,333,334 options) will vest following the share price reaching 2.57p (2019: 2.91p) for 30 consecutive days at any time prior to expiry of the options, 10 years from the grant date, plus a further holding period of two years, but no earlier than four years after the grant date.

Notes to the Financial Statements

for the year ended 31 December 2020

20. Share-Based Payments (continued)

The remaining 2,177,418 options (2019: 13,333,334 options) will vest following the share price reaching 3.10p (2019: 3.5p) for 30 consecutive days at any time prior to expiry of the options, 10 years from the grant date, plus a further holding period of two years, but no earlier than five years after the grant date.

The fair value includes the effect of this vesting condition. Management determined that the above options would be most likely to vest at the earliest possible dates, being three years, four years and five years from grant date as detailed above. The fair value of the options is therefore being amortised over those time periods.

Expected volatility was determined based on the historic volatility of the Company.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

Year ended December 2020	Number of options	WAEP P
Outstanding at the beginning of the year	88,308,192	2.24
Issued	6,532,258	1.55
Outstanding at the end of the year	94,840,450	2.19
Number exercisable at 31 December 2020	22,908,192	2.54

Year ended December 2019	Number of options	WAEP P
Outstanding at the beginning of the year	58,956,901	2.41
Exercised	(10,648,709)	1.33
Issued	40,000,000	1.75
Outstanding at the end of the year	88,308,192	2.24
Number exercisable at 31 December 2019	22,908,192	2.54

The weighted average remaining contractual life of options outstanding as at 31 December 2020 was 7.1 years (2019: 7.9 years). The range of exercise prices relating to options outstanding at 31 December 2020 was 1.33p to 8.00p (2019: 1.33p to 8.00p).

21. Subsequent Events

Other than the decision by Deltic and Shell to make a positive well investment decision in respect of the Pensacola Prospect on Licence P2252, there were no significant events subsequent to 31 December 2020.

Company Information

Directors

M Lappin (Chairman)
G C Swindells (Chief Executive)
A J Nunn (Chief Operating Officer)
P N Cowley (Non-Executive)

Joint Secretary

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