

Deltic Energy Plc
Annual Report & Accounts 2023



DELTA ENERGY

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Chairman's Statement

The past year has seen great advances in Deltic's programme across our assets. The detail will be covered in the CEO and operational reports but we have made major strides in our operations, moving assets along as planned when we set up this exploration business.

Pensacola was awarded to us in a licence round, we worked through its technical programme and succeeded in bringing in a world class partner, Shell, who was brought into the licence in 2019. As promised, Pensacola was drilled and resulted in a significant discovery. Data from drilling showed it to be at the high end of expectations in terms of volumes of gas discovered. An appraisal well is planned for the coming months with a contract in place for rig operations. We await our place in the rig-line and look forward to safe operations and good results.

Selene has followed a similar path and will also be drilled later this year, back-to-back with Pensacola, with partners Shell and Dana who will carry us through the Selene drilling following successful farmout processes.

Progress has been made on other assets in the Deltic conveyor belt towards farm-out agreements to bring in partners and repeat the process in-line with Deltic's business plan.

And right at the start of this repeating process, we have achieved success in the UK's 33rd Offshore Licensing Round. Work has already begun to mature assets identified on these licences; to present them to potential partners and proceed towards exploration drilling.

Against this background of progress, we and others in our sector are facing significant headwinds in the political environment in which our business operates. Various issues have made energy a key policy area and, heading into an election in the UK, support for our sector appears to have become divided along party political lines. Some of this is likely pre-election rhetoric but it has a negative effect on many of our activities and slows decisions with regulators. At Deltic, we remain focussed on moving our assets along the conveyor belt as quickly as possible.

We and others in the industry are engaging with policy makers across the political spectrum to emphasise the importance of our sector and to show that we at Deltic and colleagues across the sector are ready to play our part in delivering the energy needed, delivering the energy transition and protecting jobs, communities and treasury receipts.

Our message is simple: we will need oil and gas in our energy mix for decades. A domestic supply is better for jobs, better for treasury receipts, better for energy security and better for emissions compared with imported supplies.

Mark Lappin
Chairman

16 April 2024

Chief Executive's Statement

2023 – a transformational year

2023 was a transformational year for Deltic. The Company completed drilling of its first exploration well on the Pensacola prospect which was at the upper end of pre-drill estimates and resulted in the largest discovery in the Southern North Sea in the last decade. Following the Pensacola discovery, the Company has continued to progress planning of the next well to be drilled with Shell over the Selene gas prospect as well as the appraisal well for Pensacola which means we are now in the enviable position of drilling two consecutive wells in the second half of 2024. Further success in the UK's most recent licensing round has also enabled Deltic to further expand and enhance the Company's asset portfolio and potential future drilling opportunities in line with the Company's strategy, with the Company awaiting the outcome of the third and final tranche of licence awards.

Pensacola – largest discovery in Southern North Sea in a decade

Drilling at Pensacola completed in early 2023, resulting in a major discovery. The somewhat unexpected discovery of light oil also added an extra dimension to the Pensacola discovery. Post discovery, the partnership undertook an extensive process of post-well analysis which has allowed us to better quantify the estimated volumes of gas and oil at Pensacola and support progression to the appraisal phase.

Following completion of this work, at the end of 2023 the Joint Venture finalised and confirmed the positive well investment decision and approved the 2024 work programme and budget that allows for drilling the Pensacola appraisal well in late 2024.

The Company subsequently engaged RPS Energy Ltd ("RPS") to carry out an independent assessment and valuation of Pensacola. RPS assessed Pensacola on the basis of a combined gas and oil case and a gas only case. In the combined case, the gross estimate of 2C contingent resource was 72.6 mmbœ (21.8 mmbœ net to Deltic), towards the upper end of our pre-drill estimates and in the gas only case the gross estimate of 2C contingent resource was 50 mmbœ (15mmbœ net). RPS also estimated a Post tax NPV10 in the combined case of \$683m (gross) or \$205m net to Deltic and \$663m (gross) in the gas only case or \$199m net to Deltic. We expect these potential development scenarios to be further refined and optimised following appraisal and as we continue to work with our partners at Shell and ONE-Dyas to mature the opportunity.

In the meantime, RPS's work has further validated our technical assessment of the Pensacola discovery and confirms Pensacola's position as the largest discovery in the SNS in a decade. It is also one of the most significant discoveries in the North Sea in many years given its potential to lead the development of the Zechstein geological play in the SNS.

This well has been a very positive step for the Company and encapsulates Deltic's model given the Company applied for the licence, identified the prospect, and attracted world class partners which in turn has led to seismic acquisition followed by successful drilling. This moved the opportunity from a pure exploration prospect to a valuable appraisal and development asset.

Pensacola appraisal well planning is now at an advanced stage. The geophysical site survey was completed in March 2024, with the geotechnical survey is ongoing and planned to be completed by the end of April 2024. The rig contract was entered into in February 2024, with the appraisal well scheduled to be drilled in Q4 this year, immediately after the Selene well.

We look forward to working with our partners Shell and ONE-Dyas throughout the rest of 2024 to continue moving this exciting asset through the appraisal phase and onward towards development.

Selene – largest untested structure of its kind in the SNS

Having achieved success at our first well at Pensacola, we are increasingly excited about the potential to add a further discovery with the imminent drilling of our next well at Selene. Selene is another similarly sized prospect with gross P50 Prospective Resources of 318 BCF (gross) (c.53 mmbœ) and which we believe is the largest untested known structure in the Leman Sandstone play fairway of the SNS. Selene is an established, well understood play, with a high (70%) geological chance of success, in close proximity to existing infrastructure which has the ability to be brought onstream relatively quickly following discovery.

With drilling scheduled for July 2024, the planning process for Selene is in its final stages. The geotechnical and geophysical site surveys on the preferred surface location of the well were successfully completed and the results incorporated into the operational drilling plan.

The rig contract mentioned earlier has been structured such that both Selene and Pensacola will be drilled back to back using the Valaris 123, a heavy duty jack-up rig. This also creates the potential for operational efficiencies associated with being part of an extended programme of wells.

Chief Executive's Statement

continued

Having made a major discovery at our first well at Pensacola, we are excited about drilling this high impact prospect and having the potential to add another discovery to Deltic's asset base. Accordingly, we look forward to progressing through the final planning phase towards the commencement of operations.

Farm out success – Dana Petroleum (E&P) Ltd

As part of the process to mitigate cost exposure to its upcoming wells, the Company embarked on a process to farm out an element of equity in its Selene and Pensacola licences while bringing in further high quality partners. In February this year, we were pleased to announce a transaction to farm-out 25% of Selene to Dana Petroleum (E&P) Ltd ("Dana"). In combination with the existing Shell carry, this transaction, effective from 1 January 2024, has resulted in Deltic retaining a 25% interest in Licence P2437 and having no exposure to 2024 drilling and testing costs up to a gross cap of \$49m which exceeds the operator's current success case well cost estimates, with any costs in excess of these caps being split along equity lines.

Having received consent from Shell and the standard NSTA regulatory consents, we were pleased to announce completion of the transaction on 3 April 2024.

We are delighted to have strengthened the Selene joint venture with the addition of an established operator like Dana, who has a long history of successful exploration and development in the SNS. As a result of the transaction, Deltic retains a material stake in one of the highest impact UK exploration wells planned in 2024 while effectively eliminating our estimated success case cost exposure to the exploration well.

This success further demonstrates Deltic's ability to attract world class partners and our priority now is to build on the Selene farm out success with Pensacola. We are progressing an active and ongoing process to realise value and farm down our Pensacola discovery with the aim of bringing in another high quality partner and reducing cost exposure to the well.

Other assets

Capricorn Joint Venture

Despite having brought Capricorn into our five contiguous licences in an underexplored area of the SNS as recently as 2021, new ownership, management and a change in strategy saw Capricorn deciding to focus on its Egyptian assets, resulting in their withdrawal from each of these UK exploration licences. While Deltic chose to retain the two most prospective licences, being P2567 (Cadence) and P2428 (Cupertino), the relatively short time remaining on these licences and the requirement to commit to a well meant that both of these licences were relinquished.

Despite this, the extensive work programme undertaken has advanced our understanding of the potential of the area and further demonstrated the excellent prospectivity, particularly on the two most advanced licences such that the Company will consider reapplying for these licences in any upcoming licensing round.

Syros Licence (P2542)

A farm out process remains ongoing in relation to the Company's Syros prospect which is located in the Central North Sea ("CNS") in close proximity to the Montrose-Arbroath fields, currently held by Ithaca and Repsol. The Company is in dialogue with potential counterparties with a view to securing a farm out before the end of this year when a well commitment is required to progress to the next phase of the licence.

Expansion of asset portfolio

2023 provided Deltic with the opportunity to further enhance its portfolio of licences through the UK's 33rd Offshore Licensing Round. The Company has achieved further success with the third and final tranche of awards still to be announced. In particular, we are pleased to have been re-awarded the Dewar licence which is an attractive low risk infrastructure-led exploration opportunity in the CNS and look forward to the outcome of the remaining awards.

These awards are a direct result of the hard work that our technical team put into the application process and the blocks awarded have the potential to create additional drilling opportunities in the future.

Chief Executive's Statement

continued

Outlook

Our sector continues to face a number of challenges in relation to the political and fiscal environment and the Energy Profits Levy ("EPL") continues to create a significant degree of uncertainty. While the EPL creates instability for UK operators, the investment allowance currently in place does however continue to enhance the attractiveness of investing in Deltic projects which attract tax relief. Nonetheless, the existence of the EPL does nothing for investor or industry confidence, noting that a stable, reliable fiscal regime is essential if domestic production is to be maintained.

Although an element of uncertainty also exists over the scope and nature of future licensing, Deltic remains committed to exploration within the UK and believes that a regular, predictable licensing process remains critical to maintaining domestic gas production, supporting jobs and delivering energy security.

Despite political and fiscal challenges, Deltic has continued to deliver on its model of taking licences from award through to drilling as we have done with Pensacola and now Selene. The simultaneous progression of Pensacola and Selene has meant that we are now about to commence a two well drilling programme on Selene and Pensacola which is going to make for a very exciting second half of the year.

I would like to take this opportunity to thank the entire Deltic team throughout the year for their continued hard work and teamwork which has been key to the Company's continued success.

Graham Swindells
Chief Executive Officer

16 April 2024

Operational Review

P2252 Pensacola (30% Deltic, 65% Shell, 5% ONE-Dyas)

The Pensacola discovery well, 41/05a-2, operated by Shell, reached a total depth of 1,965m TVDSS on 28 December 2022 and, following a period of logging and well testing, which produced both gas and light oil to surface, the discovery was announced on 8 February 2023. This was followed by a period of laboratory testing on samples collected during drilling and the integration of all new data into the sub-surface model for the Pensacola prospect.

Following the completion of the post-well analysis, Deltic commissioned RPS Energy Ltd (“RPS”) to undertake an independent audit of the Pensacola discovery and produce a Competent Person’s Report (“CPR”). This resulted in Deltic’s first independently verified contingent resource estimate in relation to two potential development scenarios – a gas only development and a combined gas and oil development.

Contingent Resources and Valuation of the Combined Gas and Oil Development

The contingent resources (development pending) associated with the oil and gas development scenario for Pensacola as estimated by RPS are summarised in the table below:

| Hydrocarbon Type | Units | Full Field Gross Resources ^{1,2} | | | Deltic Net Working Interest ³ | | |
|-----------------------|--------------------------|--|-------------|--------------|---|-------------|-------------|
| | | 1C | 2C | 3C | 1C | 2C | 3C |
| Gas | Bscf | 113.6 | 313.0 | 616.7 | 34.1 | 93.9 | 185.0 |
| Oil | MMstb | 4.7 | 19.8 | 50.9 | 1.4 | 5.9 | 15.3 |
| Condensate | MMstb | 0.2 | 0.6 | 1.4 | 0.1 | 0.2 | 0.4 |
| Oil Equivalent | MMboe⁴ | 23.9 | 72.6 | 155.1 | 7.2 | 21.8 | 46.5 |

¹ Gross field contingent resources (100% basis) after economic limit test after removal of 10% CO₂ and fuel and flare gas

² Chance of Development (“Pd”) is the estimated probability that a known accumulation, once discovered, will be commercially developed. At this early stage in the project, given the understanding of the range of volumes, of oil in particular, and the development options still being considered, RPS consider assigning a chance of development is premature

³ Deltic holds a 30% working interest in P2252 which is operated by Shell

⁴ Conversion rate of 6,000 Scf per boe

Net Present Value (“NPV”) estimates as of 1 January 2024 for the combined oil and gas development, as calculated by RPS, based on RPS (Q4 2023) long term forecasts for Brent Crude (for oil and condensate sales) and UK National Balancing Point (“NBP”) for sales gas, are summarised below:

| Combined Oil and Gas Case | ELT Date | Post-Tax NPV - Net to Deltic ¹ USD\$ Million (money of the day) at different Discount Rates | | | |
|---------------------------|-------------|---|------------|------------|-----------|
| | | 0% | 10% | 12% | 15% |
| Discount Rate | | 0% | 10% | 12% | 15% |
| 1C | 2036 | (29) | (114) | (121) | (127) |
| 2C | 2048 | 792 | 205 | 148 | 84 |
| 3C | 2058 | 2,236 | 566 | 437 | 296 |

¹ Deltic holds a 30% working interest in P2252

Operational Review

continued

Contingent Resources and Valuation of the Gas Only Development

The Contingent Resources (development pending) associated with the gas only development scenario for Pensacola as estimated by RPS are summarised in the table below:

| Hydrocarbon Type | Units | Full Field Gross Resources ¹ | | | Deltic Net Working Interest ³ | | |
|-----------------------|--------------------------|--|-------------|--------------|---|-------------|-------------|
| | | 1C | 2C | 3C | 1C | 2C | 3C |
| Gas | Bscf | 112.4 | 296.8 | 631.7 | 33.7 | 89.0 | 189.5 |
| Condensate | MMstb | 0.2 | 0.6 | 1.5 | 0.1 | 0.2 | 0.4 |
| Oil Equivalent | MMboe² | 18.9 | 50.0 | 106.7 | 5.7 | 15.0 | 32.0 |

¹ Gross field contingent resources (100% basis) after economic limit test after removal of 10% CO₂ and fuel and flare gas

² Chance of Development ("Pd") is the estimated probability that a known accumulation, once discovered, will be commercially developed. At this early stage in the project, given the understanding of the range of volumes, of oil in particular, and the development options still being considered, RPS consider assigning a chance of development is premature

³ Deltic holds a 30% working interest in P2252 which is operated by Shell

⁴ Conversion rate of 6,000 Scf per boe

NPV estimates as of 1 January 2024 for the gas only development as calculated by RPS, based on RPS (Q4 2023) long term forecasts for Brent Crude (for oil and condensate sales) and UK NBP for sales gas, are summarised below:

| Gas Only Case | ELT Date | Post-Tax NPV – Net to Deltic ¹ USD\$ Million (money of the day) at different Discount Rates | | | | |
|---------------|-------------|---|------------|------------|------------|------------|
| | | Discount Rate | 0% | 10% | 12% | 15% |
| 1C | 2034 | | 124 | 20 | 8 | (6) |
| 2C | 2044 | | 599 | 199 | 158 | 111 |
| 3C | 2058 | | 1,664 | 412 | 323 | 226 |

¹ Deltic holds a 30% working interest in P2252

The gas only scenario recovers less hydrocarbons than the combined case development but has a significantly lower capital and operational cost base, resulting in higher NPV10 valuations under certain scenarios.

Post CPR Zechstein Play Update

Following completion of the CPR, the North Sea Transition Authority released summary well information for the Crosgan Zechstein appraisal well drilled in early 2023 by ONE-Dyas, with its joint venture partner Shell. Crosgan, located approximately 60km to the east of Pensacola, is highly analogous to the Pensacola discovery and the appraisal well (42/15a-4) drilled on the crest of the Crosgan reef structure is reported to have encountered a Hauptdolomite reservoir that was 140m thick and which flowed at a maximum rate of 26.5 MMscf/day on test.

These positive well results further support Deltic's view that a thicker, higher quality reservoir is likely to be present across the crest of the Pensacola structure. The information from the Crosgan offset well will be considered in future volumetric reviews along with additional information collected during the drilling of the Pensacola appraisal well later this year.

Next Steps on Pensacola

In parallel to the preparation of the CPR report, the Pensacola joint venture partners began work on the planning of an appraisal well which is designed to test the commercial productivity of the thicker, higher quality reservoir which is predicted to be present across the top of the Pensacola structure.

The joint venture committed to this appraisal well in December 2023 and the well is scheduled to be drilled in late 2024. Enabling works have commenced with geophysical surveys over the proposed well location completed in Q1 2024 and geotechnical investigations planned in Q2 2024.

On 5 February 2024, Shell informed Deltic that it had contracted the Valaris 123 heavy duty jack-up drilling unit to drill both the Selene exploration well and Pensacola appraisal well as a two well programme starting in the summer of 2024, with the Selene well to be drilled first and the rig moving to Pensacola on completion of Selene operations.

Operational Review

continued

P2437 Selene (50% Shell, 25% Deltic & 25% Dana)

Following the positive well investment decision in the summer of 2022, the joint venture has been focussed on well design, specification of the data acquisition programme and other enabling works including the geophysical and geotechnical site surveys which were completed during the second half of 2023.

As set-out above, the well will be drilled with the Valaris 123 with mobilisation expected to commence in late June/early July 2024. The well has been designed as a low cost exploration well with very specific data collection objectives required to support future field development decisions in this mature Leman Sandstone play. As such, there will be no conventional surface flow test and key reservoir information will be gathered from a combination of drill core, wireline logs and reservoir fluid samples collected during the planned mini-drill stem test ("mini-DST").

On 7 February 2024, the Company announced that it had farmed out a portion of its equity position in the Selene licence to Dana, a wholly owned subsidiary of the Korean National Oil Company ("KNOC"). As a result of this transaction, Deltic retains a 25% interest in the Selene asset with no cost exposure to the exploration well up to USD\$40M in a dry hole scenario or USD\$49M in a success case, both on a gross basis. Recent communications from the Licence Operator, Shell, indicate a total success case cost of the Selene well of \$47M including operational and weather-related contingencies.

Following receipt of NSTA and partner approvals, the farm-out to Dana was completed on 2 April 2024.

Deltic remains convinced that the Selene prospect is one of the largest unappraised structures in the Leman Sandstone fairway of the Southern Gas Basin and estimates that it contains gross P50 Prospective Resources of 318 BCF of gas (with a P90 to P10 range of 132 to 581 BCF) with a geological chance of success of 70%.

P2542 Syros (100% Deltic)

Deltic has completed the Phase A work programme on licence P2542 located in the Central North Sea, which contains the Syros prospect. This work included the purchase of the latest 3D Evolution seismic dataset across the acreage and the completion of a Joint Impedance and Facies Inversion ("Ji-Fi") inversion of the seismic data, in conjunction with IKON Science. This work has significantly de-risked the Syros prospect and Deltic considers it to be 'drill ready'.

The Syros prospect is located immediately to the west of the Montrose-Arbroath production platforms and in close proximity to a number of fields which produce from the same Fulmar sandstones which are expected to be present within the Syros rotated fault block.

The Syros prospect is expected to contain a gassy light oil, similar to producing offset fields and is estimated to contain P50 prospective resources of 24.5mmboe (P90 to P10 Range = 13.7 to 39.7 mmboe) with a geological chance of success of 58%.

As previously announced, a farm-out process is ongoing and Deltic has had significant engagement with a number of operators in relation to Syros. Management remain confident of attracting a joint venture partner.

Portfolio Management

Following changes in management and strategy at Capricorn in the first half of 2023, in July 2023 the Company was formally notified of Capricorn's intention to withdraw from the five SNS licences it held in partnership with Deltic. As part of ongoing rationalisation and high grading of its portfolio, Deltic also decided to withdraw from three of the Licences (P2560, P2561 and P2562) and these were relinquished immediately.

Deltic retained the high graded licences P2567 and P2428 with the aim of seeking an extension of the Phase A terms in order to allow sufficient time in which to bring in alternative partners and progress to the drilling phases of the licences. Deltic's requests for extension on both licences were rejected by the NSTA and, as a result, Licence P2567 expired on 30 November 2023 and Licence P2428 expired on 31 March 2024.

33rd Licensing Round

The NSTA announced the launch of the UK's 33rd Offshore Licensing round on 7 October 2022, with 931 blocks and part blocks available for licensing. The round closed for applications on 12 January 2023.

A first tranche of provisional awards announced on 30 October 2023 offered 27 licences focusing on production and drill ready opportunities in the Central North Sea, Northern North Sea and West of Shetland regions.

Operational Review continued

A second tranche of provisional awards announced on 31 January 2024 offered a further 24 licences mainly in the Central North Sea area. Deltic was provisionally awarded two licences in the Central North Sea with the primary area of interest being the Dewar area incorporating blocks 24/24f (part) & 22/25e (part). Deltic has previously held the acreage and matured the Dewar prospect before being forced to relinquish the acreage. However, new seismic data is available over the area and there have been a number of changes in the operator community around the Dewar prospect, including a commitment from BP to redevelop the adjacent Skua field which has reinvigorated interest in the area.

A second provisional award over block 29/4b in the Central Graben area, which was part of a larger multi-block application made by Deltic, with the bulk of the application area awarded to Shell in tranche 1. Given the adjacent blocks awarded to Shell contained the primary targets identified during the application process, Deltic has informed the NSTA that it does not intend to accept the provisional award over 29/4b given the relatively high costs associated with the work programme and significant uncertainty around the potential prospectivity on block 29/4b.

The Company awaits the third tranche of provisional awards which will include the Southern North Area which was the primary focus of Deltic's application assets. We will update the market as and when the third tranche awards are announced by the NSTA.

Portfolio and Resource Summary

The Company's current licence portfolio and prospect inventory, as of the end March 2024, is summarised below:

Southern North Sea – Contingent Resources

| Licence Ref: | Block ID | Deltic Equity | Project ID | Development Scenario | Net to Deltic Contingent Resources ² (mmboe ³) | | | GCoS % |
|--------------------|----------------|---------------|---------------------|----------------------------------|---|------|------|--------|
| | | | | | 1C | 2C | 3C | |
| P2252 ¹ | 41/5a, | 30% | Pensacola Zechstein | Gas Only Development | 5.7 | 15.0 | 32.0 | 100 |
| | 41/10a & 42/1a | | | Combined Gas and Oil Development | 7.2 | 21.8 | 46.5 | |

¹ Operated by Shell

² Estimated by RPS following independent audit

³ Conversion rate of 6,000 Scf per boe

Southern North Sea – Prospective Resources

| Licence Ref: | Block ID | Deltic Equity | Project ID | Discovery (D) Prospect (P) Lead (L) | Net to Deltic Prospective Resource (BCF) | | | GCoS % |
|--------------------|---------------|---------------|-----------------------------|-------------------------------------|--|----------|----------|--------|
| | | | | | P90 Low | P50 Best | P10 High | |
| P2558 ¹ | 41/5b & 42/1b | 30% | Pensacola North - Zechstein | | To Be Determined | | | |
| P2437 ¹ | 48/8b | 25% | Sloop - Leman | D | 2 | 4 | 10 | 100 |
| | | | Selene - Leman | P | 33 | 80 | 145 | 70 |
| | | | Endymion - Leman | L | 9 | 12 | 15 | 27 |
| | | | Rig & Jib - Leman | L | 4 | 9 | 15 | 35 |

¹ Operated by Shell

Operational Review continued

Central North Sea

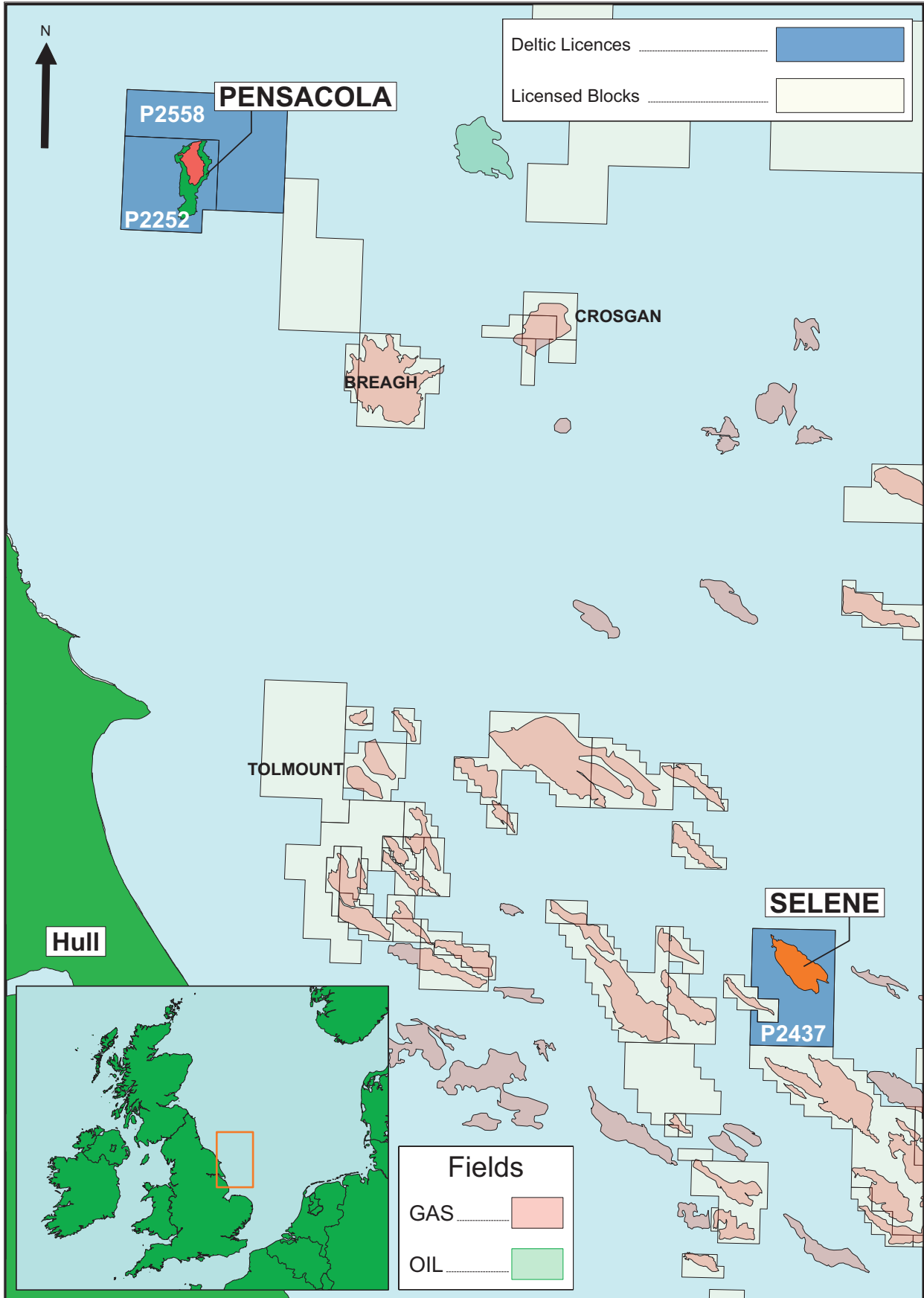
| Licence Ref: | Block ID | Deltic Equity | Project ID | Discovery (D) Prospect (P) Lead (L) | Net to Deltic Prospective Resource (MMBOE) | | | GCoS % |
|-----------------|----------|------------------|----------------|---|--|-------------|-------------|-----------|
| | | | | | P90 Low | P50 Best | P10 High | |
| P2542 | 22/17a | 100% | Syros - Fulmar | P | 13.7 | 24.5 | 39.7 | 58 |

Andrew Nunn
Chief Operating Officer

16 April 2024

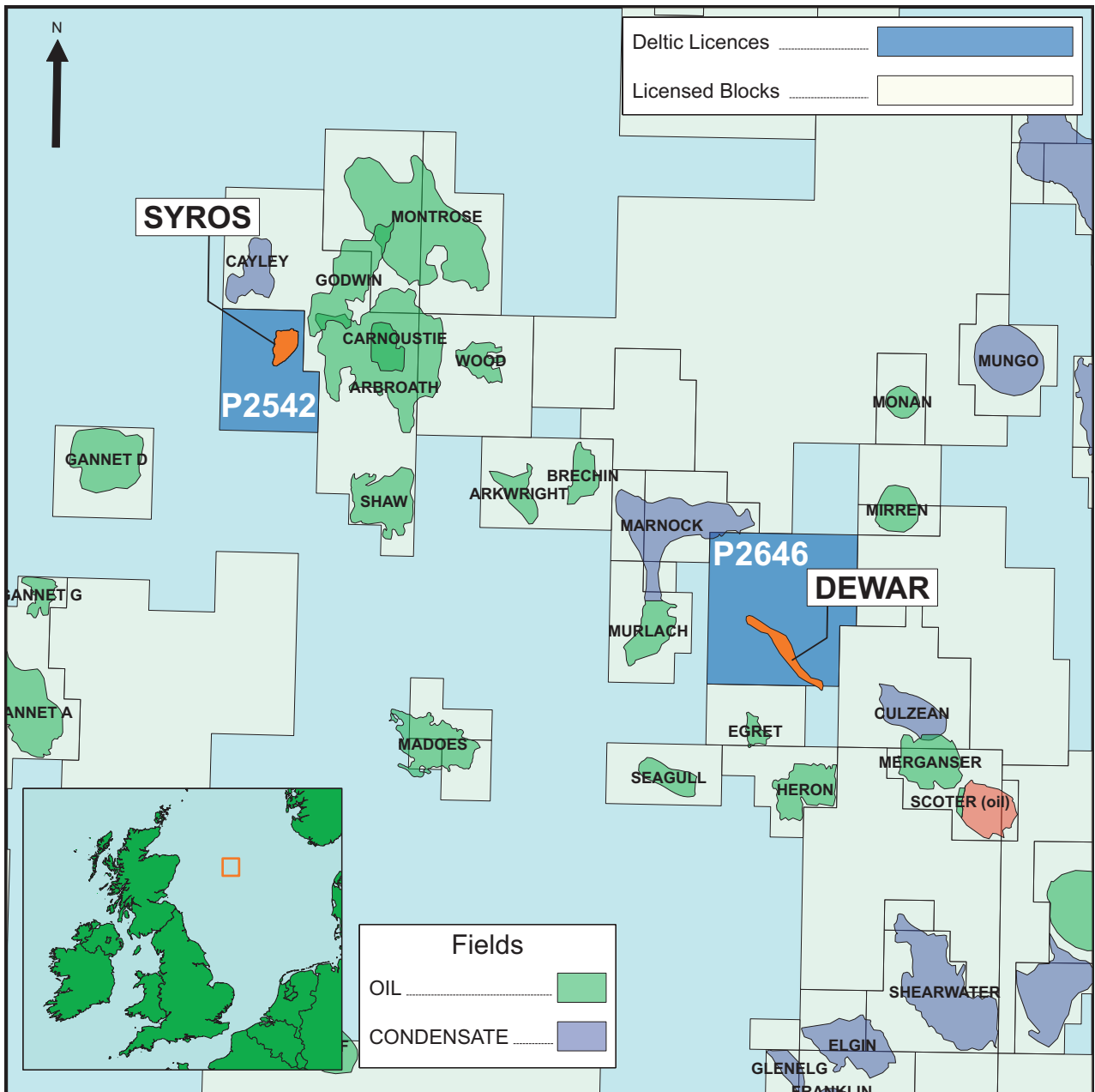
Operational Review

Our Locations - Southern North Sea



Operational Review

Our Locations - Central North Sea



Environment Social and Governance

Recommendations of the Task Force for Climate-related Financial Disclosures

Given the micro-cap scale of the Deltic business, mandatory compliance with the Recommendations of the Task Force for Climate-related Financial Disclosures (or “TCFD”) is not required. However, Deltic is working towards compliance with relevant aspects of the guidance.

The disclosures set out below are therefore voluntary and are focused on the areas which Deltic believes are most directly relevant to the business. They are made in good faith and are a demonstration of Deltic’s ambitions to comply with the recommendations as and when they become applicable to the business and are not intended to demonstrate full compliance with the recommendations at this point in time.

TCFD disclosures are categorised into 4 key areas – Metrics and Targets, Risk Management, Strategy and Governance as summarised in the table below:

| TCFD Recommendations | Deltic Disclosures |
|---|---|
| <p>Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate related risks and opportunities where such information is material</p> | <p>Deltic has historically disclosed management’s estimates of the Company’s Scope 1 & 2 emissions. In 2023, Deltic engaged Carbon Neutral Britain Ltd (“Carbon Neutral Britain”) to provide an independent assessment of the Company’s Scope 1, 2 & 3 emissions based on information provided by the Company.</p> <p>Deltic’s combined Scope 1, 2 & 3 emissions for the period 1 November 2022 to 31 October 2023 were estimated at 21.78 Tones CO₂e by Carbon Neutral Britain. Methodologies used by Carbon Neutral Britain comply with ISO 14064 and the GHG Emissions Protocol Accounting Standard.</p> <p>Carbon offsets, equivalent to Deltic’s Scope 1, 2 & 3 emissions, were purchased through Carbon Neutral Britain’s Climate Fund™ Portfolio such that Deltic Energy has been certified as a carbon neutral business.</p> |
| <p>Risk Management Disclose how the Company identifies, assesses and manages climate related risks</p> | <p>The Company is in the process of extending its Risk Management Procedure to address Climate Related Risks including the compilation of a Risk and Opportunity Register which incorporate ESG and political factors in addition to more traditional technical and corporate risk factors.</p> <p>Key areas of focus include:</p> <ul style="list-style-type: none"> • Political and Government Policy Risks including net zero policies, changes to the hydrocarbon licensing regime & fiscal regime changes impacting both E&P taxation and environmental taxation • Social Licence to Operate and changing views of the E&P industry • Emerging Technology – CCS, Hydrogen & emissions reduction opportunities |
| <p>Strategy Disclose the actual and potential impacts of climate related risks and opportunities on the organisation’s businesses, strategy, and financial planning where such information is material</p> | <p>The Deltic Board recognises a range of risks and opportunities within the climate related space that may affect the business and is supportive of adopting a transparent and auditable approach to risk management at a strategic and operational level.</p> <p>The inclusion of climate related risks within the Risk Register is the first step to ensuring that the Company’s strategy and activities in the UKCS are resilient to a range of climate change scenarios.</p> |
| <p>Governance Disclose the organisation’s governance around climate related risks and opportunities</p> | <p>The implementation of a robust risk management process for all of Deltic’s activities is a key focus for the Board. An extension of the Company’s risk management process to encompass climate related risks will ensure that relevant climate related risks are identified and managed in a transparent and consistent manner.</p> <p>The output of the risk management process will be reviewed by the Board on a regular basis and be incorporated into reviews of Company strategy and direction to Deltic management.</p> |

Environment Social and Governance continued

Climate Related Emissions and Energy Performance

As a non-producing office-based organisation with no operated offshore activity in the 2023 reporting period, the magnitude of climate-related emissions associated with the Company's activities is limited. During 2023, Deltic engaged Carbon Neutral Britain to undertake an independent assessment of Deltic's Scope 1, 2 & 3 climate related emissions between 1 November 2022 and 31 October 2023. Carbon Neutral Britain's report, including emissions estimation methodology, is available on the Company's website.

Deltic reports its GHG emissions in relation to its operated assets in the UK.

| | Reporting Units | 2023 ^a | 2022 ^b | 2021 ^b |
|----------------------------------|------------------------|---------------------|-------------------|-------------------|
| Direct GHG Emissions (Scope 1) | kgCO ₂ e | 0 | 0 | 0 |
| Indirect GHG Emissions (Scope 2) | kgCO ₂ e | 6,807 | 6,419 | 5,939 |
| Indirect GHG Emissions (Scope 3) | kgCO ₂ e | 14,968 ^c | N/A | N/A |
| Total Scope 1 & 2 Emissions | kgCO ₂ e | 6,807 | 6,419 | 5,939 |
| Carbon Intensity | kgCO ₂ /boe | N/A | N/A | N/A |
| Methane Intensity | % | N/A | N/A | N/A |
| Energy Consumption | kWh | 32,872 | 34,427 | 27,974 |

a) Deltic's 2023 climate related emissions as estimated by Carbon Neutral Britain

b) Deltic's Scope 1 & 2 climate related emissions as estimated by Deltic Management

c) Since 20 Jan 2020 our Fixed Business Plan, which accounts for 23,481 kWh of our total Scope 2 emissions in 2023 is on a 100% renewable electricity tariff.

Deltic has offset 21.78 tonnes CO₂e, equivalent to Deltic's total Scope 1, 2 & 3 emissions, through Carbon Neutral Britain's Climate Fund™ Portfolio of verified carbon offsetting projects around the world and, as a result, the Company has been certified as a Carbon Neutral business.

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 ("LTIs") reported in conjunction with the Company's activities in 2023.

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

| | 2023 | 2022 | 2021 |
|-------------------------------|--------|--------|-------|
| First Aid Incidents | 0 | 0 | 0 |
| Lost Time Injuries (1-7 days) | 0 | 0 | 0 |
| RIDDOR Reportable | 0 | 0 | 0 |
| Fatalities | 0 | 0 | 0 |
| Estimated Total Work Hours | 11,403 | 10,624 | 9,064 |

Financial Review

Overview

Following Deltic's equity fundraise of £16.0 million (gross) in September 2022 (the "2022 Fundraise"), the Company started the year with a cash balance of £20.4 million and ended the year to 31 December 2023 with a cash balance of £5.6 million. 2023 saw significant planned investment and use of capital to complete the drilling of the Pensacola discovery as well as planning for the Pensacola appraisal well and Selene exploration well both of which are scheduled to be drilled in the second half of 2024. Over the year, the Company invested £12.5 million (2022: £2.6 million) on completing Pensacola drilling operations and planning for future Pensacola appraisal and Selene exploration drilling.

Loss for the year

The Company incurred a loss for the year to 31 December 2023 of £3.0 million (2022: £3.0 million). Administrative expenses of £3.0 million (2022: £2.7 million) were incurred during the year. Finance income of £0.4 million (2022: £0.1 million) was earned on short term high interest-bearing deposits on funds following the 2022 Fundraise. In the year, an impairment of £0.2 million (2022: nil) was recognised for the subsequent relinquishment of P2428 (Cupertino) which occurred at the end of March 2024. There were no further significant impairments nor write-offs associated with the relinquishment of Licences P2560, P2561, P2562 and P2567. Corporation tax is payable on finance income earned, and accordingly the Company has recognised an income tax expense in the year of £0.1 million (2022: nil).

Balance Sheet

The Company had total Capital and Reserves as at 31 December 2023 of £21.7 million (2022: £24.2 million).

The value of exploration assets increased by £7.7 million (2022: £7.6 million increase) mainly reflecting completion of Pensacola drilling operations in February 2023 and planning for 2024 drilling.

Pensacola drilling operations commenced in November 2022 and continued through to February 2023. The total net cost to Deltic of drilling the Pensacola well was £12.8 million. The value of work undertaken during 2023 was £5.7 million (2021/2022: £7.1 million). In accordance with IAS 37, in the prior year, the Company recognised a provision with a corresponding asset of £1.3 million for the planned plugging and abandonment of the Pensacola well in February 2023.

The Company spent £2.2 million (2022: £0.7 million) further progressing the Company's licence portfolio, in particular the Selene and Syros Licences, and to progress the Pensacola licence to appraisal drilling in 2024. All costs associated with the five licences previously held jointly with Capricorn Energy PLC were fully paid by Capricorn Energy Plc.

Property, plant and equipment of £0.2 million (2022: £0.3 million) includes a right of use asset relating to the office lease with a net book value of £0.1 million (2022: £0.2 million). Property, Plant and Equipment reduced by £0.1 million to £0.2 million, mainly reflecting the depreciation charge for the year on the office lease, fixtures and fittings and computer equipment.

The Company's cash position at 31 December 2023 was £5.6 million (2022: £20.4 million) with the year-on-year decrease mainly arising from Pensacola drilling and investment into 2024 drilling.

Total current liabilities, which include short-term creditors, accruals, provisions and lease liabilities decreased to £1.6 million (2022: £6.4 million). Liabilities of £0.4 million (2022: £3.3 million) are due to the joint venture partner for payments associated with drilling operations. Other payables and accruals of £0.6 million (2022: £1.3 million) mainly represent drilling value of work done but yet to be billed by the joint venture partner. In the prior year, a provision of £1.3 million was recognised for the costs incurred in early 2023 for the pre-planned plug and abandonment of the Pensacola exploration well.

The Company has no debt.

Share consolidation

On 25 May 2023, the Company undertook a Share Consolidation (the "Consolidation"). The Consolidation consisted of a consolidation of the existing 1,861,932,000 Ordinary Shares of 0.5 pence each in the capital of the Company ("Existing Ordinary Shares"), such that every 20 Existing Ordinary Shares were consolidated into one new ordinary share of 10p each ("New Ordinary Shares"). Following the Consolidation, the Company has a single class of ordinary shares of 10p each in issue, being 93,096,600 New Ordinary Shares.

Cash flow

As at 31 December 2023, the Company held cash and cash equivalents totalling £5.6 million (2022: £20.4 million). The Company had a net cash outflow for the year of £14.8 million (2021: inflow £10.3 million) mainly for Pensacola exploration drilling and other exploration investments. The cash increase in the prior year was driven by the Fundraise proceeds of £16.0 million (gross).

A net cash outflow from operating activities of £2.6 million (2022: £2.2 million) was incurred for general and administrative costs.

Financial Review

continued

Net cash of £12.1 million (2022: £2.5 million) was used in investing activities including £12.5 million (2022: £2.6 million) on exploration and evaluation assets, offset by interest received on short term deposits of £0.4 million (2022: £0.1 million). The total net cash paid to the Pensacola joint venture partner during 2023 for the Pensacola exploration well and post well cost was £12.0 million (2022: £2.1 million). A further £0.5 million (2022: £0.5 million) was spent developing the other licences in the exploration portfolio.

Going concern

The inherent nature of the Company means it is dependent on its existing cash resources, farming down of assets and its ability to access additional capital in order to progress its operational programme on an ongoing basis. Having undertaken careful assessment, the Directors are of the view the Company will need to access additional capital during 2024 in order to fund on-going operations. It is anticipated these funds will primarily be sourced through farm downs, asset disposal, issuing new equity or a combination of these actions. The financial statements for the year to 31 December 2023 have been prepared assuming the Company will continue as a going concern. In support of this, the directors believe the liquid nature of the UK asset market combined with historical shareholder support, means it is likely that adequate funds can be accessed when required. However, the ability to access capital is not guaranteed at the date of signing these financial statements. As a consequence, this funding requirement represents a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Independent Auditor's Report to the members of Deltic Energy Plc for the year ended 31 December 2023 refers to this material uncertainty surrounding going concern.

Sarah McLeod
Chief Financial Officer

16 April 2024

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. The Directors have considered the potential impact of the geopolitical environment and have concluded there are no material risks associated to the Company.

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 potentially raise additional capital and/or enter into further commercial and financial arrangements. The need for and amount of any additional capital and/or further commercial partnership arrangements will depend on numerous factors related to the Company's current and future activities. The Company is seeking additional capital, through partnership arrangements, as it has successfully done in the past. There can be no assurance that joint venture financing will be available to the Company in a timely manner, on favourable terms, or at all. If adequate capital is 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.

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.

The Board has considered how employee working practices have developed beyond the COVID crisis of 2020/2021 and have implemented a more flexible and efficient ways of working.

Further information is also provided in the Environment Social and Governance statement at pages 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

However, the Company has a commitment to ensure 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 2023, 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 2024

Graham Swindells
Chief Executive Officer

16 April 2024

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 five Directors, of whom two are executive and three 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 three Non-executive Directors (Mark Lappin, Peter Cowley and Peter Nicol) have a responsibility to challenge independently and constructively the performance of management and to help develop proposals on strategy. They each 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 three 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. There have been no recommendations concerning the Board structure arising from the Company's Board appraisals over the year ended 31 December 2023.

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 2023:

| | Board meetings | | Audit committee ¹ | | Remuneration committee ¹ | |
|---------------|----------------|----------|------------------------------|----------|-------------------------------------|----------|
| | Possible | Attended | Possible | Attended | Possible | Attended |
| G C Swindells | 13 | 13 | 4 | 4 | - | - |
| A J Nunn | 13 | 12 | - | - | - | - |
| S M McLeod | 13 | 12 | 4 | 4 | - | - |
| P N Cowley | 13 | 9 | 4 | 2 | 2 | 2 |
| M S Lappin | 13 | 12 | 4 | 4 | 2 | 2 |
| P W Nicol | 13 | 12 | 4 | 4 | 2 | 2 |

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

Corporate Governance

continued

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.

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 Nicol, Peter Cowley and Mark Lappin and is chaired by Peter Nicol. 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, Peter Nicol 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 2024

Audit Committee Report

Overview

The audit committee met four times during the year. The external auditor, PKF Littlejohn LLP, also attended the meeting at the invitation of the audit committee chairman.

External audit

On behalf of the board, the Audit Committee is responsible for managing the relationship with external auditor. PKF Littlejohn LLP was appointed as the auditor of the Company during the prior year following a formal tender process, and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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 accrued to PKF Littlejohn LLP for audit services totalled £40,000 (2022: £37,500) and £2,100 (2022: nil) was paid for non-audit services.

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, PKF Littlejohn LLP, attended the audit committee meetings during the year. 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 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.

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.

Peter Nicol

Chairman, Audit Committee

16 April 2024

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 2023 in consideration of: changes in remuneration, share option awards, bonus awards and reporting of 2023 objectives.

During the year there were no changes to the Company's remuneration and employment conditions and all director salary changes and bonuses were approved by the remuneration committee. A major independent, executive reward company, Mercer Kepler Limited undertook a benchmarking exercise during 2019 on the Company's senior executive and board's remuneration and this has been updated internally by the remuneration committee each year to determine appropriate salaries and bonuses. The Company plans to undertake another independent benchmarking exercise during 2024.

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.

Peter Cowley
Chairman, Remuneration Committee

16 April 2024

Board of Directors and Senior Management

There is an appropriate breadth of experience, skills and personal qualities covering the key aspects of the business including technical, operational and financial. 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 over 40 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 2013 as Chief Financial Officer and became Chief Executive Officer in 2018. 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 Arbutnot 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 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 2014 and later that year was appointed to the Board as Chief Operating Officer. 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.

Sarah McLeod

Chief Financial Officer

Sarah joined Deltic as Chief Financial Officer in January 2020. Sarah has 20 years of experience in the international oil and gas industry. She previously held the position of Group Financial Controller at New Age. Sarah spent 10 years with ConocoPhillips in a variety of senior financial and strategic roles and also two years with Maersk Oil. She started her career with Deloitte, spending six years in its oil and gas team during which time she qualified as a Chartered Accountant.

Sarah's professional qualifications, finance and industry experience ensures that she has the necessary ability to manage the Company's financial 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 Remuneration Committee and member of the Audit Committee.

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.

Peter Nicol

Non-Executive Director

Peter Nicol joined the Company in November 2021. Peter has 40 years of experience in the energy sector. He was previously Head of Oil & Gas at GMP Securities Europe, Global Sector Director of Oil & Gas Research at ABN Amro & Head of European Oil & Gas Research at Goldman Sachs. Peter is a non-executive director of exploration focused Touchstone Exploration Inc. and Eco (Atlantic) Oil & Gas Ltd, both of which are AIM quoted. He is also an independent director of ERC Equipoise Limited. Peter started his career with British National Oil Corporation and holds a Bachelor of Science in Mathematics & Economics from Strathclyde University. Peter is chairman of the Company's Audit Committee and member of the Remuneration Committee.

Peter's wealth of energy, financial, city and public company experience will be invaluable to Deltic as it progresses to the next stage in development, and ensures 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 ended 31 December 2023.

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

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 2023 (2022: 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 2023 are set out below:

| | Ordinary shares | | Share options | |
|---------------|------------------|---------|------------------|-----------|
| | 2023 | 2022* | 2023 | 2022* |
| G C Swindells | 155,456 | 155,456 | 3,532,600 | 2,932,600 |
| A J Nunn | 61,765 | 61,765 | 3,532,600 | 2,932,600 |
| M S Lappin | 58,744 | 58,744 | - | - |
| P N Cowley | 50,924 | 50,924 | - | - |
| P W Nicol | 150,000 | 50,000 | - | - |
| | 1,032,589 | 376,889 | 7,065,200 | 5,865,200 |

* Restated for the effect of the 20:1 share consolidation during the year.

Director's Remuneration

The following table sets out an analysis of the pre-tax remuneration for the year ended 31 December 2023 for the individual Directors who held office in the Company during the year.

| | 2023 | 2023 | 2023 | 2023 | 2023 | 2022 |
|---------------|----------------|----------------|---------------|---------------|----------------|-----------|
| | Salaries | Bonus | Pension | Benefits | Total | Total |
| | and fees | payments | | in Kind | | |
| | £ | £ | £ | £ | £ | £ |
| G C Swindells | 301,839 | 60,368 | 30,184 | 7,129 | 399,518 | 468,648 |
| A J Nunn | 282,979 | 56,596 | 28,298 | 3,598 | 371,471 | 436,542 |
| M S Lappin | 66,660 | - | - | - | 66,660 | 60,000 |
| P N Cowley | 33,330 | - | - | - | 33,330 | 30,000 |
| P W Nicol | 33,330 | - | - | - | 33,330 | 30,000 |
| | 718,138 | 116,964 | 58,482 | 10,725 | 904,309 | 1,025,190 |

The directors did not receive any other emoluments, compensation or cash or non-cash benefits other than as disclosed above.

Share options

The share-based payment of £320,660 (2022: £262,505) to Directors represents the share-based expense relating to unvested share options during the year.

Report of the Directors

continued

The following share options table comprises share options held by Directors who held office during the year ended 31 December 2023:

| | Options held at 31 December 2022* | Options granted in period | Options exercised in period | Options held at 31 December 2023 | Exercise price (p)* | Exercisable from | Exercisable to |
|---------------|---|---------------------------------|-----------------------------------|--|------------------------|---------------------|-------------------|
| G C Swindells | - | 600,000 | - | 600,000 | 28.25 | 23 August 2024 | 23 August 2032 |
| | 499,980 | - | - | 499,980 | 51.00 | 12 July 2025 | 12 July 2032 |
| | 499,980 | - | - | 499,980 | 41.00 | 22 Sept 2022 | 22 Sept 2031 |
| | 999,960 | - | - | 999,960 | 35.00 | 8 July 2022 | 8 July 2029 |
| | 450,000 | - | - | 450,000 | 46.40 | 07 June 2019 | 07 June 2028 |
| | 110,000 | - | - | 110,000 | 75.00 | 30 April 2015 | 30 April 2024 |
| | 372,680 | - | - | 372,680 | 26.50 | 10 June 2017 | 10 June 2026 |
| A J Nunn | - | 600,000 | - | 600,000 | 28.25 | 23 August 2024 | 23 August 2032 |
| | 499,980 | - | - | 499,980 | 51.00 | 12 July 2025 | 12 July 2032 |
| | 499,980 | - | - | 499,980 | 41.00 | 22 Sept 2022 | 22 Sept 2031 |
| | 999,960 | - | - | 999,960 | 35.00 | 8 July 2022 | 8 July 2029 |
| | 410,000 | - | - | 410,000 | 46.40 | 07 June 2019 | 07 June 2028 |
| | 150,000 | - | - | 150,000 | 77.60 | 6 Sept 2015 | 22 May 2024 |
| | 372,680 | - | - | 372,680 | 26.50 | 10 June 2017 | 10 June 2026 |

* Restated for the effect of the 20:1 share consolidation during the year.

Further details of share-based payments are set out in note 17.

Financial Instruments

Details of the use of financial instruments by the Company are contained in note 22 of the financial statements.

Subsequent Events

Events subsequent to 31 December 2023 are set out in note 26 to the financial statements on page 55.

Business Risks

A summary of the principal and general business risks can be found in the Strategic Report on page 16 and in note 22 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

PKF Littlejohn LLP will be proposed at the Annual General Meeting for reappointment in accordance with section 485 of the Companies Act 2006.

On behalf of the Board

Graham Swindells
Chief Executive Officer

16 April 2024

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 UK Adopted 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 UK adopted 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

We have audited the financial statements of Deltic Energy Plc (the 'Company') for the year ended 31 December 2023 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the company incurred a net loss of £2,961,353 during the year ended 31 December 2023 and incurred operating cash outflows of £2,625,521 and is not expected to generate any revenue or positive cash outflows from operations in the 12 months from the date at which financial statements were signed. These indicate that additional capital will need to be secured to finance the Company's budgeted exploration and development programme and to enable the Company to meet its other operational obligations as they fall due. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's 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 and reviewed the latest cash flow forecasts for the Company which included the period of 12 months from the date of approval of these financial statements. In doing so we challenged and corroborated management's key assumptions included in the cash flow forecasts. This included comparing forecast operating costs to historical cost levels and evaluating whether the work commitments are appropriately costed and consistent with the budgeted licence work programme;
- Discussing with management how they intend to secure capital to finance the exploration and development programme necessary for the Company to continue as a going concern, in the required timeframe and considering this in light of the Company's track record to secure farm-outs and its ability to access equity funding; and,
- Critically assessing the disclosure made within the financial statements for consistency with management's assessment of going concern.

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

Independent Auditor's Report continued

Our application of materiality

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. We determined materiality for the financial statements to be:

| | £ | Basis |
|-------------------------|------------------------|---|
| Overall materiality | 434,000 (2022:242,000) | 2% of Net assets (2022: 1% of net assets) |
| Performance materiality | 303,800 (2022:145,000) | 70% of materiality (60% of materiality) |
| Triviality | 21,700 (2022: 12,000) | 5% of materiality |

The benchmark for materiality was selected as 2% of net assets. Net assets were deemed to be the most appropriate metric for materiality given the Company's status as an oil and gas exploration company with limited liabilities. Moreover, the expected main focus of the users of the financial statements is the recoverability of the assets invested in the exploration and evaluation stage. The percentage applied to this benchmark has been selected to bring into scope all significant classes of transactions, account balances and disclosures considered relevant for the shareholders, and also to ensure that matters that would have a significant impact on the results during the year were appropriately considered.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the nature and extent of our testing of account balances, classes of transactions and disclosures.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during our audit in excess of £21,700 in addition to other audit misstatements below that threshold that we believe warrant reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Our approach to the audit

Our audit is risk based and is designed to focus our efforts on the areas at greatest risk of material misstatement, aspects subject to significant management judgement as well as greatest complexity, risk and size.

As part of designing our audit, we determined materiality, as above, and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain. These areas of estimate and judgement included:

- Valuation and recoverability of exploration intangible assets; and
- Valuation of share options.

We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The key audit matters and how these were addressed are outlined below.

Independent Auditor's Report

continued

Key audit matters

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

Key Audit Matter

Valuation and recoverability of exploration intangible assets

The carrying amount of intangible assets related to exploration and evaluation assets amounted to £17,463,225 as at 31 December 2023.

During the year, the Company relinquished licences P2567 Cadence and P2560/P2561/P2562 Breagh. In connection with the relinquishment, the Company wrote off the full amount of the costs capitalised amounting to £21,127. Moreover, the Company impaired the costs capitalised relating to P2428 Cupertino amounting to £163,115 since it was relinquished on 31 March 2024.

Based on management's review performed under IFRS 6 Exploration for and evaluation of mineral resources, there were no further indications of impairment for other licences as at 31 December 2023.

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.

How our scope addressed this matter

As part of our audit, we have performed the following procedures:

- We critically assessed whether impairment indicators exist in line with IFRS 6, including the following:
 - Obtained evidence that the licences are still held by the Company and expiry is not imminent or there is evidence to support the likelihood of licence extension;
 - Reviewed the results of any exploration activities in the period; and
 - Reviewed the project work programme, where available, and evaluated any associated commitments and obligations for each project;
 - Discussed with management their plans regarding future exploration on the licence areas.
- We obtained evidence to confirm the relinquishment of licences P2567 Cadence P2560/P2561/P2562 Breagh and P2428 Cupertino and reviewed the appropriateness of the accounting entries made to intangible assets and the impairment charge to the statement of comprehensive income.
- We performed tests of detail on additions to intangible assets during the year to assess the appropriateness of capitalisation under IFRS 6.
- We reviewed the disclosures in the financial statements to ensure that they are appropriate.

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent Auditor's Report

continued

Matters on which we are required to report by exception

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.

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 directors' responsibilities statement, 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.

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 company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, and our expertise of the sector.
- We determined the principal laws and regulations relevant to the company in this regard to be those arising from Companies Act 2006, UK-adopted international accounting standards, the AIM Rules for Companies and the UK tax law and regulations.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to:
 - conducting enquiries of management regarding potential instances of non-compliance;
 - reviewing RNS announcements;
 - reviewing legal and professional fees for evidence of any litigation or claims against the company; and
 - reviewing board minutes and other correspondence from management.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, whether key management judgements could include management bias in relation to the valuation and recoverability of exploration intangible assets and valuation of share options. We addressed the recoverability of the exploration intangible assets as outlined in the Key audit matters section above.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Independent Auditor's Report continued

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located 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.

Daniel Hutson (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

16 April 2024

Income Statement

for the year ended 31 December 2023

| Continuing operations | Notes | 2023 £ | 2022 £ |
|--|-------|--------------------|-------------|
| Administrative expenses: | | | |
| Write down on relinquished intangible assets | 12 | (184,242) | (347,610) |
| Other administrative expenses | | (3,035,896) | (2,745,350) |
| Total administrative expenses | | (3,220,138) | (3,092,960) |
| Other operating income | | - | - |
| Operating loss | | (3,220,138) | (3,092,960) |
| Finance income | 4 | 388,403 | 129,301 |
| Finance costs | 5 | (16,788) | (25,745) |
| Loss before tax | 6 | (2,848,523) | (2,989,404) |
| Income tax expense | 8 | (112,830) | - |
| Loss for the year | | (2,961,353) | (2,989,404) |
| Loss per share from continuing operations expressed in pence per share: | | | |
| Basic | 9 | (3.18)p | (3.94)p |

Statement of Comprehensive Income

for the year ended 31 December 2023

| | 2023 £ | 2022 £ |
|---|--------------------|-------------|
| Loss for the year | (2,961,353) | (2,989,404) |
| Other comprehensive income | - | - |
| Total comprehensive expense for the year attributable to the equity holders of the Company | (2,961,353) | (2,989,404) |

The notes on pages 37 to 55 form part of the financial statements.

Balance Sheet

as at 31 December 2023

| | Notes | 2023 £ | 2022 £ |
|---|-------|-------------------|--------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 12 | 17,463,225 | 9,769,477 |
| Property, plant and equipment | 13 | 171,627 | 279,545 |
| Investments in subsidiary | 10 | 1 | - |
| Other receivables | 14 | 37,422 | 37,422 |
| Total non-current assets | | 17,672,275 | 10,086,444 |
| Current assets | | | |
| Trade and other receivables | 14 | 112,598 | 181,102 |
| Cash and cash equivalents | | 5,580,259 | 20,409,692 |
| Total current assets | | 5,692,857 | 20,590,794 |
| Total assets | | 23,365,132 | 30,677,238 |
| Capital and reserves attributable to the equity holders of the Company | | | |
| Shareholders' equity | | | |
| Share capital | 15 | 9,309,660 | 9,309,660 |
| Share premium | | 33,145,477 | 33,150,786 |
| Share-based payment reserve | 17 | 1,999,834 | 1,535,202 |
| Accumulated retained deficit | | (22,716,617) | (19,802,953) |
| Total equity | | 21,738,354 | 24,192,695 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 19 | 1,402,375 | 4,988,307 |
| Current tax payable | | 88,775 | - |
| Lease liabilities | 20 | 124,282 | 90,132 |
| Provisions | 21 | - | 1,281,000 |
| Total current liabilities | | 1,615,432 | 6,359,439 |
| Non-current liabilities | | | |
| Lease liabilities | 20 | 11,346 | 125,104 |
| Total non-current liabilities | | 11,346 | 125,104 |
| Total liabilities | | 1,626,778 | 6,484,543 |
| Total equity and liabilities | | 23,365,132 | 30,677,238 |

The financial statements of Deltic Energy Plc, registered number 7958581, were approved by the Board of Directors on 16 April 2024 and were signed on its behalf by:

Graham Swindells
Chief Executive Officer

The notes on pages 37 to 55 form part of the financial statements.

Statement of Changes in Equity

for the year ended 31 December 2023

| | Share capital £ | Share premium £ | Share-based payment reserve £ | Accumulated retained deficit £ | Total equity £ |
|---|--------------------|--------------------|----------------------------------|-----------------------------------|-------------------|
| Balance at 1 January 2023 | 9,309,660 | 33,150,786 | 1,535,202 | (19,802,953) | 24,192,695 |
| Comprehensive income for the year | | | | | |
| Loss for the year | - | - | - | (2,961,353) | (2,961,353) |
| Total comprehensive loss for the year | - | - | - | (2,961,353) | (2,961,353) |
| Contributions by and distributions to owners | | | | | |
| Issue of shares | - | 22 | - | - | 22 |
| Costs of share issue & consolidation | - | (5,331) | - | - | (5,331) |
| Expired share options | - | - | (47,689) | 47,689 | - |
| Share-based payment | - | - | 512,321 | - | 512,321 |
| Total contributions by and distributions to owners | - | (5,309) | 464,632 | 47,689 | 507,012 |
| Balance at 31 December 2023 | 9,309,660 | 33,145,477 | 1,999,834 | (22,716,617) | 21,738,354 |
| Balance at 1 January 2022 | 7,029,824 | 20,296,030 | 1,150,700 | (16,813,549) | 11,663,005 |
| Comprehensive income for the year | | | | | |
| Loss for the year | - | - | - | (2,989,404) | (2,989,404) |
| Total comprehensive loss for the year | - | - | - | (2,989,404) | (2,989,404) |
| Contributions by and distributions to owners | | | | | |
| Issue of shares | 2,279,836 | 13,679,014 | - | - | 15,958,850 |
| Costs of share issue | - | (824,258) | - | - | (824,258) |
| Share-based payment | - | - | 384,502 | - | 384,502 |
| Total contributions by and distributions to owners | 2,279,836 | 12,854,756 | 384,502 | - | 15,519,094 |
| Balance at 31 December 2022 | 9,309,660 | 33,150,786 | 1,535,202 | (19,802,953) | 24,192,695 |

The notes on pages 37 to 55 form part of the financial statements.

Statement of Cash Flows

for the year ended 31 December 2023

| | 2023 £ | 2022 £ |
|--|---------------------|-------------|
| Cash flows from operating activities | | |
| Loss before tax | (2,848,523) | (2,989,404) |
| Finance income | (388,403) | (129,301) |
| Finance costs | 16,788 | 25,745 |
| Depreciation | 115,099 | 114,698 |
| Loss on disposal of property, plant and equipment | 500 | - |
| Write down on relinquished intangible assets / impairment of intangible assets | 184,243 | 347,610 |
| Share-based payment | 512,321 | 384,502 |
| | (2,407,975) | (2,246,150) |
| Decrease in other receivables | 10,112 | 81,991 |
| Decrease in trade and other payables | (203,603) | (18,228) |
| Tax paid | (24,055) | - |
| Net cash outflow from operating activities | (2,625,521) | (2,182,387) |
| Cash flows from investing activities | | |
| Purchase of intangible assets | (12,547,872) | (2,557,582) |
| Purchase of property, plant and equipment | (1,130) | (9,003) |
| Interest received | 446,795 | 56,606 |
| Net cash outflow from investing activities | (12,102,207) | (2,509,979) |
| Cash flows from financing activities | | |
| Proceeds from share issue | 22 | 15,958,850 |
| Expense of share issue | (5,331) | (824,258) |
| Payment of principal portion of lease liabilities | (79,608) | (98,994) |
| Lease interest paid | (16,788) | (25,745) |
| Net cash (outflow) / inflow from financing activities | (101,705) | 15,009,853 |
| (Decrease) / increase in cash and cash equivalents | (14,829,433) | 10,317,487 |
| Cash and cash equivalents at beginning of year | 20,409,692 | 10,092,205 |
| Cash and cash equivalents at end of year | 5,580,259 | 20,409,692 |

Cash and cash equivalents comprise the following items:

| | 2023 £ | 2022 £ |
|--------------------------|------------------|------------|
| Cash at bank and in hand | 580,259 | 2,909,692 |
| Short term bank deposits | 5,000,000 | 17,500,000 |
| | 5,580,259 | 20,409,692 |

The notes on pages 37 to 55 form part of the financial statements.

Notes to the Financial Statements

for the year ended 31 December 2023

1. Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with UK adopted International Accounting Standards ('IAS') and with those parts of the Companies Act 2006 applicable to companies reporting under International Accounting Standards ('IAS').

On 24 April 2023, the Company incorporated a subsidiary, Deltic Energy One 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. 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 IAS 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 completed the going concern assessment, including considering cash flow forecasts up to mid-2025, sensitivities, and stress tests to assess whether the Company is a going concern. The inherent nature of the Company means it is dependent on its existing cash resources, farming down of assets and its ability to access additional capital in order to progress its operational programme on an ongoing basis. Having undertaken careful assessment, the Directors are of the view the Company will need to access additional capital during 2024 in order to fund on-going operations. It is anticipated these funds will primarily be sourced through farm downs, asset disposal, issuing new equity or a combination of these actions. The financial statements for the year to 31 December 2023 have been prepared assuming the Company will continue as a going concern. In support of this, the directors believe the liquid nature of the UK asset market combined with historical shareholder support, means it is likely that adequate funds can be accessed when required. However, the ability to access capital is not guaranteed at the date of signing these financial statements. As a consequence, this funding requirement represents a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Independent Auditor's Report to the members of Deltic Energy Plc for the year ended 31 December 2023 refers to this material uncertainty surrounding going concern.

Adoption of new and revised International Financial Reporting Standards

The Company has adopted the following standards, amendments to standards and interpretations which are effective for the first time this year. These have not had a material effect on the reported income or net assets of the Company.

| | Effective period commencing on or after: |
|---|---|
| Amendments to IAS 8: Definition of Accounting Estimates | 1 January 2023 |
| Amendment to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |

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 2024 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 2024 |
| Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements | 1 January 2024 |

Notes to the Financial Statements

for the year ended 31 December 2023

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 2023 based on current activities.

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.

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.

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.

Plug, abandon and suspend and demobilisation costs have been included within the exploration costs where the Directors consider that these costs will be material.

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.

Notes to the Financial Statements

for the year ended 31 December 2023

1. Accounting Policies (continued)

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.

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.

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.

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.

Notes to the Financial Statements

for the year ended 31 December 2023

1. Accounting Policies (continued)

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.

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.

Notes to the Financial Statements

for the year ended 31 December 2023

1. Accounting Policies (continued)

Joint Operations

The Company is party to joint oil and gas licences which are unincorporated joint arrangements. There is a contractual agreement that sets out the terms of the relationship over the relevant activities of the Company and at least one other party.

The Company has a legal degree of control over these joint operating arrangements through Joint Operating Agreements. The Company classifies its interests in joint arrangements as Joint Operations: where the Company has both the rights to assets and obligations for the liabilities of the joint arrangement.

The Company accounts for its share of assets, liabilities, income and expenditure of Joint Operations in which it holds an interest, classified in the appropriate Balance Sheet and Income Statement headings.

A list of the Company's interests in Joint Operations is given in note 11.

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.

Notes to the Financial Statements

for the year ended 31 December 2023

1. Accounting Policies (continued)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Decommissioning Obligation

A decommissioning (or “asset retirement”) obligation provision for plugging, abandonment and reclamation costs has been included within the exploration assets and within liabilities based on management’s assessment of asset retirement costs that will be incurred. Where the effect is material, the estimated current date cash flows are adjusted for inflation and are discounted at a risk-free rate. The cash flows used in the provision are risk adjusted.

Estimates of provisions for future decommissioning and restoration costs are recognised and based on current legal and constructive requirements, technology and price levels. Because actual cash outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes. The Company expects to incur the costs within one year hence the estimated amount is not discounted.

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.

Notes to the Financial Statements

for the year ended 31 December 2023

1. Accounting Policies (continued)

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 18, the Company considers its capital to be total equity.

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 12)

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 2023. In forming this assessment, the Company considered external 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.

As detailed in note 12, a charge of £21,127 was recognised during the year (2022: £nil) resulting from the write down on relinquished intangible assets following the decision to relinquish P2567 (Cadence). Additionally, an impairment charge of £163,115 was recognised during the year (2022: £nil) resulting from the impairment of P2428 (Cupertino) following likely decision not to renew the licence in 2024. In the prior year, following the relinquishment of Licences P2435 and P2537, a write down on relinquished intangible assets of £56,545 and £291,065 respectively being their carrying values were recognised in 2022.

The carrying amount of exploration and evaluation assets at the end of the period is shown in note 12.

Estimates

Determination of share-based payment costs (note 17)

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, for options issued in 2021 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 2021 was that the share price vesting criteria would be met within three years for 2,025,000 share options issued during the year as detailed in note 17. 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.

Notes to the Financial Statements

for the year ended 31 December 2023

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

| | 2023 | 2022 |
|---|------------------|------------------|
| | £ | £ |
| Wages and salaries | 1,369,296 | 1,573,414 |
| Short-term non-monetary benefits | 33,895 | 30,993 |
| Defined contribution pension costs | 98,112 | 89,471 |
| Social security costs | 176,303 | 218,153 |
| Share-based payment expense | 512,321 | 384,502 |
| | 2,189,927 | 2,296,533 |
| | 2023 | 2022 |
| The average monthly number of employees during the year was as follows: | | |
| Directors | 5 | 5 |
| Staff | 4 | 4 |
| | 9 | 9 |

Key management personnel remuneration

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

| | 2023 | 2022 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Salaries and bonuses | 1,045,161 | 1,214,318 |
| Short-term non-monetary benefits | 26,958 | 22,216 |
| Defined contribution pension costs | 75,987 | 68,395 |
| Social security costs | 140,420 | 170,391 |
| Share-based payment expense | 390,876 | 308,021 |
| | 1,679,402 | 1,783,341 |

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

Details regarding share options are set out in note 17 to the financial statements.

4. Finance Income

| | 2023 | 2022 |
|---------------|---------|---------|
| | £ | £ |
| Bank interest | 388,403 | 129,301 |

5. Finance Costs

| | 2023 | 2022 |
|---|--------|--------|
| | £ | £ |
| Effective interest expense on lease liabilities (see note 20) | 16,788 | 25,745 |

Notes to the Financial Statements

for the year ended 31 December 2023

6. Loss before Tax

| | 2023 £ | 2022 £ |
|--|-----------|-----------|
| The loss before tax is stated after charging/(crediting): | | |
| Write down on relinquished intangible assets (see note 12) | 21,127 | 347,610 |
| Impairment of intangible assets (see note 12) | 163,115 | - |
| Depreciation – owned assets | 34,168 | 33,768 |
| Depreciation – right of use leased assets (office lease) | 80,931 | 80,930 |

7. Auditors' Remuneration

| | 2023 £ | 2022 £ |
|--|-----------|-----------|
| Fees payable to the Company's auditors for the audit of the Company's financial statements | 40,000 | 37,500 |
| Fees payable to the Company's auditors for non-audit related services | 2,100 | - |
| Fees payable to the Company's auditors for other audit-related services | - | - |

8. Income Tax

Analysis of income tax expense

| | 2023 £ | 2022 £ |
|--------------------------|-----------|-----------|
| Current tax | 89,326 | - |
| Current tax – prior year | 23,504 | - |
| Income tax expense | 112,830 | - |

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:

| | 2023 £ | 2022 £ |
|--|-------------|-------------|
| Loss on ordinary activities before taxation | (2,848,523) | (2,989,404) |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK (19%/25%) (2022: 19%) | (669,973) | (567,987) |
| Effects of: | | |
| Current tax – prior year | 23,504 | - |
| Capital allowances in excess of depreciation | - | 4,706 |
| Expenses not deductible for tax purposes | 759,299 | 1,451 |
| Adjustment in relation to share based payment | - | 58,524 |
| Unrelieved losses carried forward | - | 503,306 |
| Income tax expense | 112,830 | - |

As at 31 December 2023, the Company has pre-trading expenditure of £23,270,116 (2022: £18,274,880).

9. Loss per Share

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 10,067,023 (2022: 8,142,023*) share options outstanding at the end of the year that could potentially dilute basic earnings per share in the future.

Basic and diluted loss per share

| | 2023 | 2022 |
|---|---------|----------|
| Loss per share from continuing operations | (3.18)p | (3.94)p* |

Notes to the Financial Statements

for the year ended 31 December 2023

9. Loss per Share (continued)

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

| | 2023 £ | 2022 £ |
|---|------------------------|----------------|
| Loss used in the calculation of total basic loss per share | (2,961,353) | (2,989,404) |
| Number of shares | 2023 Number | 2022 Number |
| Weighted average number of ordinary shares for the purposes of basic loss per share | 93,096,600 | 75,919,756* |

* Following the Share Consolidation on 25 May 2023, number of shares and share options and loss per share amounts have been retroactively adjusted for all periods presented to illustrate the effect of the 20 for 1 Share Consolidation.

10. Investments in Subsidiary

| | Shares in Group undertakings £ |
|-----------------|--------------------------------------|
| Cost | |
| Brought forward | - |
| Additions | 1 |
| At end of year | 1 |

The Company has one directly held subsidiary that was incorporated during the year:

| | Registered Office | Class of shares | Holding |
|---------------------------|--|-----------------|---------|
| Deltic Energy One Limited | 1st Floor 150 Waterloo Road, London, SE1 8SB | Ordinary | 100% |

This subsidiary has been dormant from the date of incorporation. 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.

11. Joint Operations

The Company has entered into the following unincorporated Joint Operations, which are included within the Company's financial statements:

| Name of Project | Principal Activities | Company Interest |
|-------------------------------|-------------------------|------------------|
| P2252 Pensacola | Oil and gas exploration | 30% |
| P2437 Selene | Oil and gas exploration | 50%* |
| P2428 Cupertino/Richmond | Oil and gas exploration | 40%** |
| P2567 Cadence | Oil and gas exploration | 40% |
| P2258 Pensacola North | Oil and gas exploration | 30% |
| P2560/P2561/P2562 Breagh Area | Oil and gas exploration | 30% |

* As disclosed in note 26, on 2 April 2024, Deltic farmed -out a 25% interest in Licence P2437, containing the Selene licence, to Dana Petroleum (E&P) Limited

** As disclosed in note 26, on 31 March 2024, the Company relinquished Licence P2428 (Cupertino)

On 30 November 2023, P2567 Cadence and P2560/P2561/P2562 Breagh Area were relinquished.

At the reporting date there were no contingent liabilities or contingent assets in respect of any of the Joint Operations other than those disclosed in these financial statements in note 21.

Notes to the Financial Statements

for the year ended 31 December 2023

12. Intangible Assets

| | Exploration & evaluation assets £ | Software licences £ | Total £ |
|------------------------------------|--------------------------------------|------------------------|-------------------|
| Cost | | | |
| At 1 January 2022 | 2,203,118 | 39,257 | 2,242,375 |
| Additions | 7,913,969 | - | 7,913,969 |
| Write down on relinquished assets | (347,610) | - | (347,610) |
| At 31 December 2022 | 9,769,477 | 39,257 | 9,808,734 |
| Additions | 7,877,990 | - | 7,877,990 |
| Write down on relinquished assets | (21,127) | - | (21,127) |
| At 31 December 2023 | 17,626,340 | 39,257 | 17,665,597 |
| Amortisation and impairment | | | |
| At 1 January 2022 | - | 39,257 | 39,257 |
| Charge for the year | - | - | - |
| At 31 December 2022 | - | 39,257 | 39,257 |
| Impairment charge | 163,115 | - | 163,115 |
| At 31 December 2023 | 163,115 | 39,257 | 202,372 |
| Net Book Value | | | |
| At 31 December 2023 | 17,463,225 | - | 17,463,225 |
| At 31 December 2022 | 9,769,477 | - | 9,769,477 |
| At 1 January 2022 | 2,203,118 | - | 2,203,118 |

The net book value of exploration and evaluation assets at 31 December 2023 and 2022 relates solely to the Company's North Sea Licences.

Additions of £7,877,990 (2022: £7,913,969) differ to the cash flows in the Statement of Cash Flows owing to a decrease in trade and other payables of £3,388,882 (2022: £3,052,066 increase) and a decrease in provisions of £1,281,000 (2022: £1,281,000 increase) relating to the plug and abandonment of the Pensacola exploration well that was completed in February 2023.

A charge of £21,127 was recognised during the year (2022: £nil) resulting from the write down on relinquished intangible assets following the decision to relinquish P2567 (Cadence).

An impairment charge of £163,115 was recognised during the year (2022: £nil) resulting from the impairment of P2428 (Cupertino) following likely decision not to renew the licence in 2024.

No impairment was recognised for the relinquishment of P2560, P2561 and P2562.

In the prior year, £347,610 (2023: nil) impairment was recognised resulting from the write down on relinquished intangible assets following the decision to relinquish Licence P2435 (Blackadder) and Licence P2537 (Dewar).

Notes to the Financial Statements

for the year ended 31 December 2023

13. Property, Plant and Equipment

| | Leasehold improvements £ | Office lease £ | Fixtures and fittings £ | Computer equipment £ | Total £ |
|-----------------------|--------------------------------|----------------------|-------------------------------|----------------------------|------------|
| Cost | | | | | |
| At 1 January 2022 | 87,769 | 404,650 | 45,800 | 35,239 | 573,458 |
| Additions | 3,931 | - | - | 5,072 | 9,003 |
| At 31 December 2022 | 91,700 | 404,650 | 45,800 | 40,311 | 582,461 |
| Additions | - | - | - | 7,680 | 7,680 |
| Disposals | - | - | (544) | (4,560) | (5,104) |
| At 31 December 2023 | 91,700 | 404,650 | 45,256 | 43,431 | 585,037 |
| Depreciation | | | | | |
| At 1 January 2022 | 25,927 | 134,883 | 9,758 | 17,650 | 188,218 |
| Charge for year | 18,901 | 80,930 | 6,870 | 7,997 | 114,698 |
| At 31 December 2022 | 44,828 | 215,813 | 16,628 | 25,647 | 302,916 |
| Charge for year | 19,314 | 80,931 | 6,870 | 7,984 | 115,099 |
| Disposals | - | - | (336) | (4,269) | (4,605) |
| At 31 December 2023 | 64,142 | 296,744 | 23,162 | 29,362 | 413,410 |
| Net Book Value | | | | | |
| At 31 December 2023 | 27,558 | 107,906 | 22,094 | 14,069 | 171,627 |
| At 31 December 2022 | 46,872 | 188,837 | 29,172 | 14,664 | 279,545 |
| At 1 January 2022 | 61,842 | 269,767 | 36,042 | 17,589 | 385,240 |

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

14. Trade and Other Receivables

| | 2023 £ | 2022 £ |
|--------------------------|----------------|-----------|
| Current: | | |
| Other receivables | 15,433 | 92,652 |
| Other tax receivables | 14,297 | 14,221 |
| Prepayments | 82,868 | 74,229 |
| | 112,598 | 181,102 |
| Non-current: | | |
| Rental deposit | 37,422 | 37,422 |
| Total receivables | 150,020 | 218,524 |

During the year, no impairments were recognised.

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

Notes to the Financial Statements

for the year ended 31 December 2023

15. Share Capital

Allotted, issued and fully paid

| Year ended December 2023 | | Number | £ |
|-------------------------------|-----------------------------------|-----------------|-----------|
| At beginning of the year | Ordinary shares of 0.5 pence each | 1,861,931,992 | 9,309,660 |
| Issue of shares | | | - |
| Effect of share consolidation | | (1,768,835,392) | - |
| At end of the year | Ordinary shares of 10 pence each | 93,096,600 | 9,309,660 |

| Year ended December 2022 | | Number | £ |
|--------------------------|-----------------------------------|---------------|-----------|
| At beginning of the year | Ordinary shares of 0.5 pence each | 1,405,964,855 | 7,029,824 |
| Issue of shares | | 455,967,137 | 2,279,836 |
| At end of the year | Ordinary shares of 0.5 pence each | 1,861,931,992 | 9,309,660 |

On 25 May 2023, the Company undertook a Share Consolidation. The Share Consolidation consisted of a consolidation of the existing ordinary shares of 0.5 pence each in the capital of the Company ("Existing Ordinary Shares"), such that every 20 Existing Ordinary Shares were consolidated into one new ordinary share of 10p each ("New Ordinary Shares"). Following the Share Consolidation, the Company has a single class of ordinary shares of 10p each in issue, being the New Ordinary Shares.

On 30 September 2022, and prior to the share consolidation on 25 May 2023, the Company announced that it had raised approximately £16 million, before expenses, through the aggregate placing and subscription and open offer of 455,967,137 Existing Ordinary Shares of 0.5 pence per share at 3.5 pence per share. The shares were allotted and admitted to trading on AIM on 3 October 2022.

16. 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.

17. 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.

Notes to the Financial Statements

for the year ended 31 December 2023

17. Share-Based Payments (continued)

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.

2,025,000 options were granted during the year to 31 December 2023 under the scheme (2022: 1,699,840 restated for the 20:1 share consolidation) and 100,000 options expired (2022: nil).

No share options were exercised during the current or prior year.

The Company recognised a total share-based payment expense of £512,321 for the year ended 31 December 2023 (2022: £384,502) 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 | 12 July 2022* | 24 August 2023 |
|----------------------------|---------------|-----------------------|
| Share Price | 51.00p | 28.25p |
| Exercise price | 51.00p | 28.25p |
| Expected Volatility | 57.98% | 87.09% |
| Risk Free Rate of Interest | 1.7521% | 4.4794% |
| Expected Dividend Yield | 0.00% | 0.00% |
| Expected Life | 5.5-6.5 years | 5.5-6.5 years |
| Number of options issued | 1,699,840 | 2,025,000 |

Under the terms of the options granted during the year, 674,999 options will vest one year after the grant date. A further 674,999 options will vest 2 years after the grant date. The remaining 675,002 options will vest 3 years after the grant date.

Under the terms of the options granted during the prior year, 566,620* options will vest one year after the grant date. A further 566,620* options will vest 2 years after the grant date. The remaining 566,600* options will vest 3 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 one to three years for the options granted during 2023 and one to three years for the options granted in the prior year. 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 2023 | Number of Options* | WAEP (pence) |
|---|---------------------------|---------------------|
| Outstanding at the beginning of the year* | 8,141,560 | 44.80 |
| Issued | 2,025,000 | 28.25 |
| Expired* | (100,000) | 1.60 |
| Outstanding at the end of the year | 10,066,560 | 41.90 |
| Number exercisable at 31 December 2023 | 2,942,500 | 38.63 |

* Following the Share Consolidation on 25 May 2023, the number and price of share options have been retroactively adjusted for all periods presented to illustrate the effect of the 20 for 1 Share Consolidation.

Notes to the Financial Statements

for the year ended 31 December 2023

17. Share-Based Payments (continued)

| Year ended December 2022 | Number of Options* | WAEP (pence)* |
|--|--------------------|---------------|
| Outstanding at the beginning of the year | 6,441,560 | 43.20 |
| Issued | 1,700,000 | 51.00 |
| Outstanding at the end of the year | 8,141,560 | 44.80 |
| Number exercisable at 31 December 2022 | 2,267,076 | 45.20 |

The weighted average remaining contractual life of options outstanding as at 31 December 2023 was 6.4 years (2022: 6.8 years). The range of exercise prices relating to options outstanding at 31 December 2023 was 28.3p to 116.4p (2022: 26.6p* to 160.0p*).

* Following the Share Consolidation on 25 May 2023, the number and price of share options have been retroactively adjusted for all periods presented to illustrate the effect of the 20 for 1 Share Consolidation.

18. 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 2023 following equity fundraising completed in October 2022. Having undertaken careful assessment, the Directors are of the view the Company will need to access additional capital during 2024 in order to fund on-going operations. It is anticipated these funds will primarily be sourced through farm downs, asset disposal, issuing new equity or a combination of these actions. The financial statements for the year to 31 December 2023 have been prepared assuming the Company will continue as a going concern. In support of this, the directors believe the liquid nature of the UK asset market combined with historical shareholder support, means it is likely that adequate funds can be accessed when required. However, the ability to access capital is not guaranteed at the date of signing these financial statements. As a consequence, this funding requirement represents a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Independent Auditor's Report to the members of Deltic Energy Plc for the year ended 31 December 2023 refers to this material uncertainty surrounding going concern.

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.

19. Trade and Other Payables

| | 2023 £ | 2022 £ |
|---------------------------------|------------------|------------------|
| Current: | | |
| Trade payables | 132,062 | 53,749 |
| Social security and other taxes | 181,322 | 373,577 |
| Joint operations payable | 444,404 | 3,301,809 |
| Other payables and accruals | 644,587 | 1,259,172 |
| | 1,402,375 | 4,988,307 |

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

Joint operations payable represents £444,404 (2022: £3,301,809) relating to exploration assets.

Notes to the Financial Statements

for the year ended 31 December 2023

20. 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 13.

Lease liabilities

| | 2023 | 2022 |
|--|-----------------|-----------|
| | £ | £ |
| Amounts payable at 1 January | 215,236 | 314,230 |
| Effective interest expense | 16,788 | 25,745 |
| Lease payments | (96,396) | (124,739) |
| Amounts payable within one year at 31 December | 124,282 | 90,132 |
| Amounts payable after year at 31 December | 11,346 | 125,104 |

21. Provisions

Asset retirement obligation

| | 2023 | 2022 |
|----------------|--------------------|-----------|
| | £ | £ |
| At 1 January | 1,281,000 | - |
| Utilised | (1,281,000) | - |
| Additions | - | 1,281,000 |
| At 31 December | - | 1,281,000 |

An asset retirement obligation provision was recognised in the prior year in relation to the costs to be incurred in early 2023.

The asset retirement obligation was fulfilled and completed during 2023. Due to the short term nature of the expenditure, the provision has not been discounted.

22. Financial Instruments

Principal financial instruments

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

| | 2023 | 2022 |
|---|------------------|------------|
| | £ | £ |
| Financial assets | | |
| Cash and cash equivalents – all amounts held in Sterling: | | |
| Cash at bank | 5,580,259 | 20,409,692 |
| | 5,580,259 | 20,409,692 |
| Rental deposit | 37,422 | 37,422 |
| Other receivables | 15,433 | 92,652 |
| | 5,633,114 | 20,539,766 |
| Financial liabilities | | |
| Trade payables | 132,062 | 53,749 |
| Other payables & accruals | 1,088,991 | 4,560,981 |
| Lease liabilities ¹ | 135,628 | 215,236 |
| | 1,356,681 | 4,829,966 |

¹ £124,282 of the lease liability is payable within one year and £11,346 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:

Notes to the Financial Statements

for the year ended 31 December 2023

22. Financial Instruments (continued)

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.

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 2023, the Company was financed by cash raised through equity funding in October 2022. 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 2023 and 31 December 2022 on the basis of their earliest possible contractual maturity.

Notes to the Financial Statements

for the year ended 31 December 2023

22. Financial Instruments (continued)

| | Total £ | Within 2 months £ | Within 2 – 6 months £ | Within 6 – 12 months £ | Within 1 – 2 years £ | Within 2 – 5 years £ |
|----------------------------|------------------|-------------------------|-----------------------------|------------------------------|----------------------------|----------------------------|
| At 31 December 2023 | | | | | | |
| Trade payables | 132,062 | 132,062 | - | - | - | - |
| Other payables & accruals | 1,088,991 | - | 1,088,991 | - | - | - |
| Lease liabilities | 133,463 | - | 61,353 | 60,490 | 11,620 | - |
| | 1,354,516 | 132,062 | 1,150,344 | 60,490 | 11,620 | - |
| At 31 December 2022 | | | | | | |
| Trade payables | 53,749 | 53,749 | - | - | - | - |
| Other payables & accruals | 4,560,981 | 1,166,404 | 3,394,577 | - | - | - |
| Lease liabilities | 230,000 | - | 51,128 | 45,409 | 121,843 | 11,620 |
| | 4,844,730 | 1,220,153 | 3,445,705 | 45,409 | 121,843 | 11,620 |

23. Capital Commitments

At the reporting date there were capital commitments of £2.2m relating to the Pensacola exploration site survey planned for 2024, and Selene exploration drilling long leads commitments ahead of 2024 drilling operations. In the prior year, there were £10.7m of capital commitments relating to the Pensacola exploration drilling costs.

24. 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.

Prior to the share consolidation on 25 May 2023, Peter Nicol, a Non-Executive Director of the Company, acquired 1,000,000 ordinary shares of 0.5 pence per share on 15 February 2023 via a market purchase at a price of 2.60 pence per share, which represented an amount of £26,000.00. Additional, Peter Nicol acquired a further 1,000,000 ordinary shares of 0.5 pence per share on 4 May 2023 via a market purchase at a price of 1.79 pence per share, which represented an amount of £17,900.00.

In the prior year and prior to the share consolidation on 25 May 2023, Graham Swindells, the Company's Chief Executive Officer, subscribed for 714,285 new ordinary shares in a subscription of new ordinary shares on 3 October 2022 (the "Subscription"), which represented an amount of £24,999.98 at the Subscription's issue price of 3.50 pence per new ordinary share (the "Issue Price").

In the prior year and prior to the share consolidation on 25 May 2023, Andrew Nunn, the Company's Chief Operating Officer, subscribed for 428,571 new ordinary shares in the Subscription on 3 October 2022, which represented an amount of £14,999.99 at the Issue Price.

In the prior year and prior to the share consolidation on 25 May 2023, Sarah McLeod, the Company's Chief Financial Officer, subscribed for 285,714 new ordinary shares in the Subscription on 3 October 2022, which represented an amount of £9,999.99 at the Issue Price.

In the prior year and prior to the share consolidation on 25 May 2023, Peter Nicol, a Non-Executive Director of the Company, subscribed for 857,142 new ordinary shares in the Subscription on 3 October 2022, which represented an amount of £29,999.98 at the Issue Price. Additionally, Peter Nicol acquired a further 142,858 ordinary shares of 0.5 pence per share on 25 November 2022 via a market purchase at a price of 3.15 pence per share, which represented an amount of £4,500.03.

In the prior year and prior to the share consolidation on 25 May 2023, IPGL Limited, a substantial shareholder of the Company, as defined in the AIM Rules for Companies, subscribed for 109,857,142 new ordinary shares in a placing of new ordinary shares ("Placing") on 3 October 2022, which represented an amount of £3,844,999.97 at the Issue Price of 3.50 pence per new ordinary share.

In the prior year and prior to the share consolidation on 25 May 2023, Inthallo Limited, a substantial shareholder of the Company, as defined in the AIM Rules for Companies, subscribed for 42,857,142 new ordinary shares in the Placing on 3 October 2022, which represented an amount of £1,499,999.97 at the Issue Price of 3.50 pence per new ordinary share.

Notes to the Financial Statements

for the year ended 31 December 2023

25. Control

The Company is not controlled by any other party.

26. Subsequent Events

On 31 January 2024, the Company was provisionally awarded two licences over three part blocks covering approximately 226 km² by the North Sea Transition Authority ("NSTA") in Tranche 2 of the UK's 33rd Offshore Licensing Round ("33rd Round"). The provisional award of Block 22/24f (part) and 22/25e (part) contains the Dewar Prospect, which has previously been licenced and matured by Deltic. The work programme associated with the initial phase of this licence is restricted to upgrading the seismic data sets held by the Company at relatively low cost and is focussed on providing greater confidence around prospect volumetrics and risk. Block 29/4b represents the residual part of a larger application which included the contiguous Block 29/3b. Block 29/3b, which was provisionally awarded to Shell U.K. Ltd in Tranche 1 of the 33rd Round, was considered the most prospective part of the application area and the Company concluded there was not sufficient technical justification to accept Block 29/4b in isolation, and accordingly the award was declined.

On 5 February 2024, the Operator of Licences P2437 and P2252, confirmed that a rig contract has been signed with Valaris for the drilling of both the Selene exploration well and the Pensacola appraisal well. The two wells will be drilled using the Valaris 123, a heavy duty jack-up rig, with Selene and Pensacola being drilled as a two well sequence, with the contract and mobilisation commencing in the June-July 2024 period.

On 26 February 2024, the Company was notified that Peter Cowley, A Non-Executive Director of the Company, sold and purchased 50,924 ordinary shares of 10 p each ("Ordinary Shares") in the Company as part of a Bed and ISA arrangement. There has been no change to the number of Ordinary Shares beneficially held by Peter Cowley as a result of these transactions.

On 7 February 2024, the Company announced that it entered into an agreement in respect of the farm-out of a 25% interest in Licence P2437, containing the Selene Prospect, to Dana Petroleum (E&P) Limited ("Dana"). On 2 April 2024, the required regulatory and partner consent in respect of the farm-out of 25% in License P2437 to Dana was completed. This transaction, in combination with the existing Shell UK Ltd ("Shell") carry, results in Deltic retaining a 25% non-operated interest in Licence P2437 and having no exposure to 2024 drilling and testing costs up to a cost cap of USD\$49M (gross), which is in excess of current success case well cost estimates provided by the Operator.

On 31 March 2024, the Company relinquished Licence P2428 (Cupertino).

Company Information

Directors

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

Joint Secretary

S M McLeod
Gravitas Company Secretarial Services Limited

Registered Office

1st Floor
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SE1 8SB

Registered Number

07958581 (England and Wales)

Nominated Adviser

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EC3A 6AB

Joint Corporate Broker

Stifel Nicolaus Europe Limited
150 Cheapside
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Canaccord Genuity Limited

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Auditors

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Solicitors

K&L Gates LLP
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