Deltic Energy Plc/ Index: AIM / Epic: DELT / Sector: Natural Resources

3 September 2020

Deltic Energy Plc ('Deltic' or 'the Company')
Interim Results

Deltic Energy Plc, the AIM quoted natural resources investing company with a high impact exploration and appraisal portfolio focused on the Southern and Central North Sea, is pleased to announce its interim results for the six months ended 30 June 2020.

Highlights

- The Company has retained a strong balance sheet with cash of £12.8m as at 30 June 2020 (30 June 2019: £0.6m)
  - Fully funded for operations (including Deltic's share of the Pensacola and Selene wells)
  - Further reduced G&A costs by c.25% to preserve cash while still progressing the Company's core assets. The Company is now fully funded until at least mid-2022
- On Licence P2252, which contains the Pensacola prospect (as well as the Lytham and Fairhaven prospects), intensive work has been carried out on processing the new 3D seismic shot by Shell
  - Broadband 3D seismic processing has delivered a robust image over the Pensacola prospect
  - On track and committed to meeting the licence terms which include the Contingent Well Commitment becoming firm by 1 December 2020
- On Licence P2437, following work by a joint Deltic-Shell team, Deltic reported a significant upgrade to the prospectivity associated with the Selene prospect (held on a 50/50 basis with Shell)
  - Estimates of P50 Gas Initially in Place ('GIIP') have been increased by 44% from 437 to 629 BCF
  - Estimated Geological Chance of Success ('GCoS') almost doubled from 39% to 70%
- On Licence P2428, which contains the Cupertino prospect, the technical team continues to mature a number of prospects identified from legacy 2D data which was reprocessed by the Company in the second half of 2019
  - Deltic believes the licence has TCF scale potential and the team has identified significant opportunities in Zechstein, Leman Sandstone and the deeper Carboniferous section
  - Certain industry parties have requested an early review of the work that the Company has completed to date and Deltic expects to be in a position to commence a formal farm-out process in relation to this licence towards the end of 2020
- On Licence P2424, which contains the Cortez prospects, reprocessing of legacy 2D seismic data commenced in April with results expected in September 2020
  - Initial estimates of prospectivity suggest that the Cortez and Cortez South prospects alone have the potential to contain P50 Prospective Resources of over 400 BCF of gas
- At the end of 2019, the Company submitted several applications for new licences in the UK's 32nd Offshore Licensing Round. Interviews took place in March 2020 and OGA guidance indicates licence awards should be announced shortly

Graham Swindells, CEO, commented:

"In what has been a difficult time for the E&P sector as a whole, I am happy to report that we remain fully funded and have a well-defined drilling plan on two high impact gas prospects in the Southern North Sea which are being invested in by one of the world's largest oil and gas companies in the form of Shell. Furthermore, we have a number of other attractive and increasingly technically developed prospects in our portfolio which we will continue to progress to drill readiness, providing multiple opportunities to deliver value to shareholders through our focused and technically driven approach to North Sea exploration. In addition, we continue to seek to grow the portfolio as we await the outcome of the UK's latest offshore licensing round.

Chairman's Statement

Despite recent times having been some of the most challenging I have known since I joined the industry in the early 1980s, the fundamental position of our industry and that of the Deltic business within that industry remain very encouraging.

The United Kingdom continues to depend upon natural gas to heat homes, light rooms and cook dinners. Natural gas is the biggest contributor to the energy mix within each of these areas according to government figures. As I write this, the last coal mine in the UK is closing and this will mean an even greater dependence upon natural gas to work with renewable and nuclear power sources to ensure we can continue to expect a reliable and affordable source of energy.

At the same time, again based upon UK government figures, UK production from the North Sea is declining much more rapidly than demand and therefore, our dependence upon imported gas is on the rise; increasingly from Russia, USA, Peru, Egypt and the Middle East. Qatar was the biggest exporter of liquid natural gas to the UK in 2019, delivering 65 tankers of gas after voyages of over 6000 miles, again, based on government figures.

Imported gas is bad for UK jobs, bad for Treasury income and bad for the environment. The UK government has demonstrated its understanding of the value of our industry and signalled further support to follow as part of the North Sea transition.

Demand shows no sign of real decline, particularly for natural gas where governments, including the UK Government, have repeatedly highlighted the major role natural gas will play in reducing greenhouse gas emissions to zero, in large part by using gas to create hydrogen for heating and transport needs for decades to come.

So the case for a domestic supply of natural gas is a simple one.

Now consider the position of Deltic within this bigger picture which clearly favours domestic production of natural gas. We have a portfolio of prospects close to the UK coastline; two of which, Pensacola and Selene, are very well progressed from a technical perspective and extremely attractive, to the point that Shell has committed to being a Joint Venture partner with plans to drill. Our other licences and prospects and future drilling opportunities continue to move along the conveyor belt and a full update on all of our valuable assets is set out in the operational update below.

COVID-19 has presented massive challenges to all sectors globally and has caused a drop in commodity prices which itself has created a delay while companies rightly take stock and consider how to respond. We have responded quickly and effectively as a company: all technical work, a vital area for us, is on-track: seismic data sets are being processed; interpretation is proceeding on Pensacola, Cupertino and Cortez; prospect evaluation is in the final stages on Selene in readiness to drill and Dewar is being reviewed by interested companies, admittedly at a slower pace than usual as companies prioritise production in a time of a global pandemic COVID.

The Board of Deltic has reviewed the Company's strategy as it should in these new circumstances. We have considered acquisitions and will continue to do so but, in the meantime, the decision is to keep to the course and maintain our watermark of technical quality and focus; to identify exploration opportunities that have been overlooked; to carry out the highest quality technical evaluation; to reject those opportunities that do not stand up to this rigour and to progress high quality prospects to drilling and development.

Mark Lappin
Chairman
3 September 2020

CEO Statement

In what has been a difficult period for the E&P sector as a whole, I am happy to report that we remain fully funded and have a well-defined drilling plan to drill two high impact gas prospects in the Southern North Sea which are being invested in by one of the largest oil and gas companies in the form of Shell. Furthermore, we have a number of other attractive and increasingly technically developed prospects in our portfolio which we will continue to progress to drill readiness, providing multiple opportunities to deliver value to shareholders through our focused and technically driven Southern North Sea exploration approach.

The foundations for future success were laid in 2019 when Deltic successfully farmed out two high quality, high impact exploration licences to Shell. I strongly believe that the basis for this was the exceptional technical work which was (and continues to be) carried out by our in-house team, led by Andrew Nunn. This breakthrough allowed us to successfully secure the financial future of the Company with a substantial capital raise in the summer of 2019. These actions have insulated the Company from the worst of the current volatility within the capital markets brought about by COVID-19 and have allowed us to continue to act as a strong partner to Shell, ensuring we can continue to carry out the highly detailed technical work required to build the conveyor of future farm-outs and drilling opportunities. As such, I have been extremely impressed and proud of the quality of work and progress that our technical team has continued to make throughout the period. This approach is a key strategic feature of our business.

The oil price environment that ensued as a result of COVID-19 has led to delays and cancellations of numerous E&P projects around the globe. Even a partner such as Shell is not immune to these macro forces and this has unfortunately resulted in a delay to the timing of the Selene well. However, the Shell-Deltic partnership remains committed to drilling the Pensacola well in the second half of next year, within the timelines originally agreed with the OGA, with Selene now expected to follow shortly after in 2022.

In addition to progressing these projects with Shell, we have invested considerable time in progressing our other two 100% owned gas licences in the Southern North Sea. Results to date have been very promising and I am also encouraged by the level of early interest in these assets.

We expect a number of value creating catalysts over the near term as we work towards firm well investment decisions on Selene and Pensacola before the countdown towards the drilling of our first well on Pensacola begins. Importantly, the Company is fully funded for the drilling of these two wells with Shell, with success on either being transformational for the Company.

Pensacola

During the period, intensive work has been carried out on the processing of the new 3D seismic recently shot by Shell over Pensacola (as well as the Lytham and Fairhaven prospects) on Licence P2252. This broadband 3D seismic processing has delivered a robust image over the Pensacola prospect and receipt of this new data has been a significant milestone for our partnership. We are looking forward to continuing our work with Shell to progress the prospect towards drilling, which we expect to take place in the second half of 2021.

The Shell-Deltic partnership is now working on updating the interpretation of the Pensacola structure and is on track and committed to meeting the licence terms which include the Contingent Well Commitment becoming firm by 1 December 2020. Shell's ability to deploy the required expertise, technologies and resources to this complex processing and interpretation project, while maintaining the original timeline, has underscored the value of having such a high-quality partner when working on an emerging play like Pensacola.

Selene

Following a considerable amount of work by a joint Deltic-Shell team, we were recently able to report a significant upgrade to the prospectivity associated with our Selene Prospect which we hold on a 50/50 basis with Shell. As a result, estimates of P50 GIIP for Selene have been increased by 44% from 437 to 629 BCF. Additionally, the estimated GCoS has been almost doubled from 39% to 70%.

It is highly encouraging that the detailed work being undertaken by the joint Deltic-Shell technical teams is supporting, and indeed enhancing, the earlier work completed by Deltic. The significantly increased gas volumes and decreased risk profile further highlights the importance of Selene as one of the largest undrilled Leman Sandstone structures in this area. Future work on Selene is focussed on recoverable volumes, economics and well design work required to support the well investment decision with the well expected to be drilled in 2022.

Other licences

On Licence P2428, which contains the Cupertino prospect, our technical team continues to mature a number of prospects which have been identified on legacy 2D data which was reprocessed by the Company in the second half of 2019. We believe the licence has TCF scale potential and the team has identified significant opportunities in Zechstein, Leman Sandstone and the deeper Carboniferous section. This area has already attracted significant attention from our industry peers and certain parties have requested an early review of the work that the Company has completed in this area to date. We continue to mature the prospects on this licence and, subject to market conditions, the Company would expect to be in a position to commence a formal farm-out process in relation to this licence towards the end of 2020.

On licence P2424, which contains the Cortez prospects, reprocessing of legacy 2D seismic data commenced in April 2020 with results expected later this month. This will be followed by further in-house interpretation and analysis. Initial estimates of prospectivity suggest that the Cortez and Cortez South prospects alone have the potential to contain P50 Prospective Resources of over 400 BCF of gas. We look forward to receipt of results of the reprocessing and continuing to progress this licence.

As previously announced, despite the Dewar oil prospect attracting significant interest, the lower oil price environment has meant that this process has slowed. However, given the location and commercially attractive development options which exist for the Dewar prospect, the Board remains confident that when the oil price improves it will be possible to complete a deal which leads to Dewar being drilled.

New Licences

At the end of 2019, we submitted several applications for new licences in the UK's 32nd Offshore Licensing Round. Interviews took place in March 2020 and OGA guidance indicates that licence awards should be announced shortly. Applications have been made in the Company's core area of the Southern North Sea as well as the Central North Sea and contain existing discoveries, high quality prospects which can be rapidly matured and greenfield exploration opportunities all of which have the potential to substantially diversify the Company's portfolio, increase its resource base and may provide multiple new drilling opportunities over the coming years. All of the applications have been made on a 100% basis with the exception of one application which has been made jointly with an established international operator.

Building our business organically through licensing rounds has been the foundation of the success of Deltic to date and another successful outcome in this latest licensing round would be very significant for the Company.

Funding

The Company has retained a strong balance sheet and, with cash of £12.8m as at 30 June 2020, we remain fully funded for our operations (including our share of the Pensacola and Selene wells). Despite historically strict financial discipline and relatively low overheads, in light of reduced commodity price levels and the effect of COVID-19 on the operating environment, we nonetheless took decisive steps to reduce costs and further preserve cash while still progressing our core assets. Further detail on these measures is set out in the Financial Review. However, as a result, the Company is now fully funded, including for its share of the Pensacola and Selene exploration wells, until at least mid-2022.

Being funded and able to demonstrate our ability to fund our share of well costs is critically important as it provides our partners and other stakeholders confidence in our ability to meet our commitments as well as sheltering the Company and its shareholders from uncertainty as to future funding.

CFO

In January, I was delighted to announce the appointment of Sarah McLeod as CFO. Sarah has brought significant financial and commercial upstream oil and gas experience, particularly in relation to the North Sea which will be invaluable to the Company as we continue to develop. Sarah has made an immediate impact and quickly established herself as a key member of the management team.

Change of name

Following approval at our AGM on 4 June 2020, we were pleased to be able to confirm the formal change of the Company's name to Deltic Energy Plc. The name change reflects a new era for our company, the significant progress made in the last year and symbolises the transition to a more operational phase following our farm-outs and ongoing partnership with Shell.

Post period end proposed offer

On 14 July 2020, the Company received an unsolicited approach from Reabold Resources plc ("Reabold") regarding a possible all share offer for Deltic. The value of the proposed offer implied a premium of just 9.7% to the Deltic share price that day. It also represented a discount to the Company's cash position, thus placing no value at all on the Company's significant non-cash assets, not least its share of two potential high impact exploration wells with Shell. Furthermore, the Deltic board believed that in the event of a combination of the two businesses, Deltic shareholders would have been exposed to certain commercial and technical risks associated with the Reabold portfolio.

The Deltic board therefore rejected the proposal from Reabold on 15 July 2020. Notwithstanding this rejection, Reabold announced its possible offer that same day.

Following discussions with certain of the Company's largest shareholders, the Deltic board did not enter any further dialogue with Reabold and, on 10 August 2020, Reabold announced it would not be proceeding with its proposal.

While this process was a distraction, we were encouraged by and appreciative of the shareholder support we received, in particular from IPGL, our largest shareholder, who stated publicly its continuing support of the Deltic management team, our technical capability, focused asset base with high impact potential and current strategy.

Outlook

Looking ahead, for the remainder of 2020 I expect to see us working closely with Shell towards well investment decisions on both Pensacola and Selene, continuing to progress the prospects on the Company's other licences, while at the same time seeking to further expand the portfolio through new licence awards. Each of these workstreams represents a key catalyst for the Company in the near term. We look forward to further progress and newsflow in the second half of 2020 and into 2021 as we move along the runway to drilling in the second half of next year and continue to seek to create value for our shareholders.

I believe the North Sea continues to have significant potential and the UK benefits from a top quartile fiscal and regulatory regime, making it one of the most attractive regions in which to operate.

Our Company remains well funded with no debt and is in the unique position of drilling two high impact wells with Shell over the next one to two years, with success on either being transformational for our company.

Finally, I would like to take this opportunity to sincerely thank our employees and my fellow board members for their dedication during this period and I have been immensely proud of how our team has worked together and handled this challenging time. I would also like to thank our other stakeholders, in particular our shareholders, for their ongoing support.

Graham Swindells
Chief Executive Officer
3 September 2020

Operating Review

The Company's technical team has adapted rapidly to the remote working environment resulting from the ongoing COVID-19 situation and has largely overcome the various challenges of undertaking remotely what is a highly collaborative process. The team has been working intensely both with the Shell asset teams on Pensacola and Selene as well as across the Company's other assets. In particular, work on the Cupertino (P2428) licence where significant prospectivity, previously missed, has been illuminated by reprocessing 2D seismic data from the 1990s and the Cortez (P2424) licence where we are working on an ongoing seismic reprocessing project.

There are a number of continuing workstreams that will be completed over the coming months, by which time we expect to start work on additional licences which may be awarded to the Company in the 32nd Licensing Round. This strategy, whereby we secure attractive acreage in licensing rounds and then conduct high-quality in-house technical work before bringing in industry partners, has served us well and we look forward to adding new acreage to our exploration hopper.

P2252 – Pensacola (30% Deltic)

Licence P2252, located in the Southern Gas Basin, contains the Pensacola prospect which is estimated to contain gross P50 Prospective Resources of 309 BCF in a Zechstein carbonate build-up with significant additional upside potential in the Lytham-Fairhaven prospect also located on block. The licence was farmed out to Shell U.K. Ltd in February 2019, which has resulted in the Company being fully carried through the 3D seismic acquisition and processing-based work programme.

The Zechstein reef play in the Southern North Sea received a major boost when the results of the Darach Central-1 well targeting the Ossian reef prospect were released by the UK Oil and Gas Authority ('OGA') in December 2019. The discovery proved the presence of both gas and oil and flowed at a rate of 3,500 barrels of oil per day on test which clearly demonstrates the commercial potential of these Zechstein reservoirs offshore. The Darach Central-1 well results support an earlier successful test of the play at Crosgan which produced >7.5 mmscfd of dry gas on test from an analogous structure in 2015. Shell have subsequently completed transactions which have increased its exposure to the Zechstein play.

New broadband 3D seismic data was acquired across the Pensacola area by the Shell-Deltic partnership in August of 2019 and processing of that data has been ongoing throughout the period. During the summer of this year Shell began to deliver interim processing products with interpretable pre-stack depth migrated (pre-SDM) data being available from August 2020.

Interpretation of this data is supporting previous interpretations made on the legacy 2D datasets and Shell, the Operator, is committing significant resources within a highly structured work program to ensure that project timelines agreed with the OGA at the time of the farm-in are met. We expect the contingent well commitment to become a firm well commitment on 1st December 2020 following which preparations for drilling at Pensacola in H2 2021 will begin in earnest.

P2437 – Selene (50% Deltic)

Licence P2437 is located in the Leman Sandstone fairway of the Southern Gas Basin and contains the Selene prospect which we believe is the largest undrilled prospect in this mature play. The P2437 licence was farmed out to Shell U.K. Ltd in April 2019 with Deltic retaining a 50% interest and operatorship until a final well investment decision is made. Once the well investment decision is taken, Shell will assume operatorship and will pay for 75% of the costs of the initial exploration well up to a gross well cost of USD$25M.

During the period, a joint Deltic-Shell work group has completed a significant amount of technical work which has focused on verifying Deltic's depth conversion of the seismic over the Selene prospect and has determined that our original work is robust. Further work on the depositional environment, structural history, gas charge timing, hydrocarbon column height and reservoir quality prediction was also completed as part of this process.

One of the key outcomes of this additional work was the re-evaluation of the 48/08b-2 well which was drilled in 1989 on a structure defined on 2D seismic. The well did not support the previous operator's pre-drill expectations and was abandoned as a dry hole, despite positive indications of gas being reported during drilling operations. Our revised structural mapping now places this well in a down dip location, but firmly within the redefined Selene structure, and the 48/08b-2 well may actually represent a discovery well on Selene. Further petrophysical work has allowed us to constrain the gas-water contact with greater confidence and in turn allowed us to report a significant increase in our GIIP estimate as well as greatly improving the Company's view on the level of geological risk associated with the Selene prospect.

An updated view of the Selene prospect's in place volumes and risk, based on Deltic's preferred interpretation of the available data, was announced on 11 August 2020 and is summarized below:

	Gas Initially in Place			
		BCF, Gross		GCoS
	P90	**P50**	**P10**	**%**
Deltic 2019 Estimate	255	437	683	39%
August 2020 Estimate	286	629	1,021	70%
Percentage increase	*12%*	*44%*	*49%*	*79%*

Ongoing work focusing on potential development scenarios, estimation of recovery factors and project economics will be used to support the well investment decision prior to the proposed 2022 drilling activity.

The Selene prospect is located approximately 20km to the North of Shell owned and operated infrastructure located on the Barque gas field which presents a low cost, low risk development option in the case of exploration success. Additional upside exists on block including the Sloop discovery and the Endymion prospect which will be fully evaluated in due course.

P2428 – Cupertino (100% Deltic)

The reprocessing of approximately 850 line kilometres of legacy 2D seismic data to pre-stack depth migration (pre-SDM) was completed in November 2019 and resulted in a significant uplift in seismic image quality over the legacy datasets. Geological interpretation of the reprocessed seismic, and other legacy datasets, is ongoing with the licence area proving to be both more geologically complex than originally anticipated and more prospective with our subsurface team identifying potential prospects at multiple geological levels.

To date, potential prospects identified include two potential reef like structures at the Z2 Hauptdolomite level which appear similar to Pensacola, a Cygnus analogue in the Leman Sandstone, and two different types of prospects in the Carboniferous which include a 4-way dip-closed structure at Scremerston Sandstone level and a shallower BPU truncation type prospect similar to that seen to the south in the Pegasus area. These prospects will be matured over the coming months with a primary focus on producing robust GIIP and recoverable resource estimates.

Early discussions with a number of companies with a technical interest in the area have been undertaken to gauge the likely level of interest in these prospects and we look forward to re-engaging with those parties once our technical work has been completed and a formal farm-out process has been initiated later this year.

Based on the geological complexity of the area and the lack of modern 3D seismic data over Cupertino, it is likely that any farm-out would be based around a firm commitment to the acquisition of 3D seismic with a contingent exploration well dependant on the evaluation of any newly acquired 3D seismic data.

P2424 – Cortez (100% Deltic)

The Cortez and Cortez South leads have the potential to contain P50 Prospective Resources in excess of 400 BCF in sandstones of the Scremerston Formation which is a proven producing reservoir at Breagh on the block to the West and at the Crosgan discovery located immediately to the North of the Cortez structure.

Reprocessing of the legacy 2D dataset was commenced in Q1 2020 with final outputs expected to be available later this month. Once the reprocessed seismic data has been delivered there will be an extended period of interpretation and evaluation of the Cortez prospect before we look to attract new partners to this licence.

P2352 – Dewar (100% Deltic)

Licence P2352, located in the Central North Sea, was awarded to the Company in the 30th UK Offshore Licensing Round with an effective date of 1 October 2018. The primary prospect on Licence P2352 is the Dewar prospect which is estimated to contain gross P50 Prospective Resources of 39.5 MMBO in a Forties Sandstone channel. The Dewar Prospect is supported by a clear amplitude versus offset (AVO) anomaly and has a GCoS of 41%.

In the event of exploration success, the Dewar Prospect is a highly attractive commercial proposition as it is located approximately 5km east of BP's Eastern Trough Area Project (ETAP) Central Processing Facility. A commercial feasibility study commissioned by the Company in 2019 indicated that the project could have a post- tax NPV10 of £555M and a post-tax IRR of 123%, in a P50 Prospective Resource scenario.

Following completion of the various subsurface workflows, including the AVO study, and a commercial feasibility study, the farm-out process on Central North Sea Licence P2352 commenced in the second half of 2019. Despite an encouraging early response, the combination of lower oil prices and the ongoing COVID-19 situation has adversely affected this process. The Company expects this to change once conditions across the industry improve and the oil price continues to recover. In the meantime, all firm licence commitments have been completed and no further technical work is currently planned for this licence area.

Other Licences

The firm work commitments on Licences P2435 (Deltic 25% non-operated) and P2384 were completed during 2019. As these assets are currently considered to be of a lower priority within the overall portfolio, all discretionary spend and technical workflows in relation to these licences have been cancelled or deferred for at least 12 months. This reassessment of the portfolio removes planned investment from the 2020/2021 budgets, but more importantly ensures that our in-house technical team is completely focussed on those assets and licences which form the core of the Company's strategy and are ultimately most likely to drive shareholder returns over the coming years.

32nd Offshore Licensing Round

The OGA officially opened the 32nd UK Offshore Licensing Round on 11 July 2019 and following submission of applications in November 2019, the Company attended interviews with the OGA in March 2020 in support of the application process. All of the applications have been made solely by Deltic with the exception of one which has been made jointly with an established international operator.

The applications specified a three or four year initial phase with relatively limited firm work programmes, based primarily around existing legacy seismic data, to be completed during this period with the Company retaining significant discretion on the timing of the workflows within that initial phase.

The Board believes that the UK approach to offshore licensing will continue to provide a low-cost opportunity to significantly enhance and diversify the Company's portfolio of exploration licences. Guidance from the OGA states that licence awards are expected to be announced shortly.

Andrew Nunn
Chief Operating Officer
3 September 2020

Qualified Person

Andrew Nunn, a Chartered Geologist and Chief Operating Officer of Deltic, is a "Qualified Person" in accordance with the Guidance Note for Mining, Oil and Gas Companies, June 2009 as updated 21 July 2019, of the London Stock Exchange. Andrew has reviewed and approved the information contained within this announcement.

Financial Review

I am pleased to advise that Deltic finished the period to 30 June 2020 in strong financial health with a cash position of £12,818,746 (30 June 2019: £641,929). Following its significant fundraise in 2019, the Company remains well capitalised and fully funded for its share of costs on both the Pensacola and Selene wells. As we highlighted in the Company's AGM announcement in June 2020, the decisive steps that Deltic has taken during the period to further preserve cash, whilst progressing core assets, means that the Company is now fully funded until at least mid-2022.

Income Statement

The Company incurred a loss for the period of £869,505 (six months to 30 June 2019: £1,557,865). The six months to 30 June 2019 included a non-cash impairment of £801,307 following the relinquishment of Licence P2248 in March 2019; no impairments have been recognised for the six months to 30 June 2020, nor are any anticipated for the full year to December 2020.

Other administrative expenses of £920,238 include cash expenditure of £791,415, non-cash share-based payment expense of £85,501 (six months to 30 June 2019: £84,002), and other non-cash expenditure of £54,576 not directly attributed to existing licences (six months to 30 June 2019: £62,416).

Balance Sheet

Expenditure directly relating to investment in the Company's North Sea licences is capitalised to intangible assets, reflecting ongoing technical investment in the Company's portfolio of licences. Expenditure on intangible assets totalled £155,585 during the period (six months to 30 June 2019: £150,657).

Trade and other payables of £252,167 (31 December 2019: £172,869) increased by £79,298 of which £100,681 of the increase was due to timing of settlements, comprising an increase of £98,714 relating to capitalised expenditure and an increase of £1,967 relating to operating activities. There is a £21,383 decrease due to recognition of provisions.

Under IFRS 16 Leases, the Company recognised a right of use lease asset of £404,650 and a right of use of lease liability of £368,078, which will be depreciated over the lease term.

Cash flow

The Company's cash position was £12,818,746 as at 30 June 2020 (31 December 2019: £13,849,400) reflecting a net cash outflow of £1,030,654 for the period. Cash used in operating activities for the six months to 30 June 2020 was £791,415 (six months to 30 June 2019: £687,735). A further £204,285 was used in investing activities (six months to 30 June 2019: £167,511) including £181,246 relating to expenditure capitalised in intangible assets (six months to 30 June 2019: £398,855) and £87,366 relating to the purchase of property, plant and equipment (six months to 30 June 2019: £607).

Cash preservation/cost savings

The Company has always maintained a strict financial discipline and low overheads. However, Deltic has nonetheless taken decisive steps to further preserve cash while still progressing its core assets. In light of the current commodity price levels and the effect of COVID-19 on its operating environment, the Company reviewed all aspects of its business and made a number of significant changes which will improve efficiencies and result in significant cost reductions including:

- Review of the entire asset portfolio resulting in investment only in core licenses
- Deferral or cancellation of discretionary and non-core projects which require third-party support
- Deferral of a number of contingent work programme items, related to technical and commercial studies on various licence assets (other than Selene and Pensacola), which would have relied on external consultants (these will be reassessed in early 2021)
- Reduction of headcount and removal of all retained contractors
- Exercise of a break clause on its office and relocation to smaller, lower cost space

This reduction in costs means that total cash expenditure (including investment in licences) in 2020 is now expected to be less than £2m (representing a 25% saving against the 2020 budget, excluding planned drilling expenditure), while still ensuring the Company continues to progress its core assets. Consequently, the Company is now fully funded, including its share of two exploration wells, until at least mid-2022.

Outlook

Although the oil and gas industry is currently facing the dual challenge of recent commodity price volatility coupled with the effects of COVID-19, fortunately, the Company does not have direct exposure to the oil price and, having taken the decision to raise funds in 2019 to protect itself from capital market volatility, is currently well funded with no debt.

Sarah McLeod
Chief Financial Officer
3 September 2020

UNAUDITED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE LOSS

For the period ended 30 June 2020

	Note	Period ended 30 June 2020 Unaudited £	Period ended 30 June 2019 Unaudited £	Year ended 31 December 2019 Audited £
Administrative expenses				
Impairment of intangible assets		-	(801,307)	(801,307)
Other administrative expenses		(920,238)	(846,805)	(1,709,069)
Total administrative expenses		(920,238)	(1,648,112)	(2,510,376)
Other operating income		-	105,767	107,871-
Operating loss		(920,238)	(1,542,345)	(2,402,505)
Finance income		57,732	2,066	71,020
Finance costs		(6,999)	(17,586)	(28,763)
Loss before tax		(869,505)	(1,557,865)	(2,360,248)
Income tax expense		-	-	-
Loss and comprehensive loss for the period attributable to equity holders of the Company		(869,505)	(1,557,865)	(2,360,248)
Loss per share from continuing operations expressed in pence per share:				
Basic and diluted	3	(0.06)p	(0.29)p	(0.24)p

UNAUDITED BALANCE SHEET
As at 30 JUNE 2020

	Note	30 June 2020 Unaudited £	30 June 2019 Unaudited £	31 December 2019 Audited £
NON-CURRENT ASSETS				
Intangible Assets		1,283,527	837,447	1,127,942
Property, Plant and Equipment		537,690	335,149	47,313
Other receivables		91,110	53,688	-
		1,912,327	1,226,284	1,175,255
CURRENT ASSETS				
Trade and other receivables		97,344	129,442	129,577
Cash and cash equivalents		12,818,746	641,929	13,849,400
		12,916,090	771,371	13,978,977
TOTAL ASSETS		14,828,416	1,997,655	15,154,232
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				
Share capital	4	7,029,824	2,744,109	7,029,824
Share premium		20,296,030	10,374,345	20,296,030
Share-based payment reserve		928,145	754,151	842,644
Accumulated retained deficit		(14,082,427)	(12,410,539)	(13,212,922)
TOTAL EQUITY		14,171,571	1,462,066	14,955,576
CURRENT LIABILITIES				
Trade and other payables		252,167	210,341	172,869
Lease liability		56,612	44,481	25,787
		308,779	254,822	198,656
NON-CURRENT LIABILITIES				
Lease liability		348,066	280,767	-
TOTAL LIABILITIES		656,845	535,589	198,656
TOTAL EQUITY AND LIABILITIES		14,828,416	1,997,655	15,154,232

UNAUDITED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2020

	Share capital £	Share premium £	Share-based payment reserve £	Accumulated Retained deficit £	Total equity £
Balance at 1 January 2020	7,029,824	20,296,030	842,644	(13,212,922)	14,955,576
Comprehensive income for the year					
Loss for the period	-	-	-	(869,505)	(869,505)
Total comprehensive loss for the period	**-**	**-**	**-**	(869,505)	(869,505)
Contributions by and distributions to owners					
Share-based payment	-	-	85,501	-	85,501
Total contributions by and distributions to owners	-	-	85,501	-	85,501
Balance at 30 June 2020 (Unaudited)	7,029,824	20,296,030	928,144	(14,082,427)	14,171,571
Balance at 1 January 2019	2,690,866	10,286,493	749,487	(10,932,012)	2,794,834
Comprehensive income for the year					
Loss for the period	-	-	-	(1,557,865)	(1,557,865)
Total comprehensive loss for the period	-	-	-	(1,557,865)	(1,557,865)
Contributions by and distributions to owners					
Issue of share capital	53,243	87,852	**(79,338)**	**79,338**	141,095
Share-based payment	-	-	84,002	-	84,002
Total contributions by and distributions to owners	53,243	87,852	4,664	79,338	225,097
Balance at 30 June 2019 (Unaudited)	2,744,109	10,374,345	754,151	(12,410,539)	1,462,066
Balance at 1 January 2019	2,690,866	10,286,493	749,487	(10,932,012)	2,794,834
Comprehensive income for the year					
Loss for the year	-	-	-	(2,360,248)	(2,360,248)
Total comprehensive loss for the year	-	-	-	(2,360,248)	(2,360,248)
Contributions by and distributions to owners					
Issue of share capital	4,338,958	10,802,138	(79,338)	-	15,141,096
Expenses of issue	-	(792,601)	-	-	(792,601)
Share-based payment	-	-	172,495	-	172,495
Total contributions by and distributions to owners	4,338,958	10,009,537	93,157	-	14,520,990
Balance at 31 December 2019 (Audited)	7,029,824	20,296,030	842,644	(13,212,922)	14,955,576

UNAUDITED STATEMENT OF CASH FLOWS

For the period ended 30 June 2020

	Period ended 30 June 2020 Unaudited £	Period ended 30 June 2019 Unaudited £	Year ended 31 December 2019 Audited £
Cash flows from operating activities			
Loss before tax	(869,505)	(1,557,865)	(2,360,248)
Adjustments for:			
Finance income	(57,732)	(2,066)	(71,020)
Finance costs	6,999	17,586	28,763
Depreciation	50,590	57,544	110,469
Amortisation	3,986	4,872	9,735
Impairment of intangible assets	-	801,307	801,307
Income from farm-out licence interest	-	(105,767)	(107,871)
Share-based payment	85,501	84,002	172,495
	(780,161)	(700,387)	(1,416,370)
Increase in trade and other receivables	(56,927)	(22,619)	(17,106)
Increase in trade and other payables	45,673	35,271	20,597
Net cash used in operating activities	(791,415)	(687,735)	(1,412,879)
Cash flows from investing activities			
Purchase of intangible assets	(181,246)	(398,855)	(895,647)
Proceeds from grant of option over licence farm-in	-	229,885	470,135
Purchase of property, plant and equipment	(87,366)	(607)	(6,426)
Interest received	64,326	2,066	59,549
Net cash used in investing activities	(204,285)	(167,511)	(372,389)
Cash flows from financing activities			
Proceeds from share issues	-	141,095	15,141,096
Expenses of share issues	-	-	(792,601)
Payment of principal portion of lease liabilities	(34,331)	(52,320)	(111,050)
Interest on lease liabilities	(622)	(17,586)	(28,763)
Net cash (used in) / from financing activities	(34,953)	71,189	14,208,682
(Decrease)/increase in cash and cash equivalents	(1,030,654)	(784,057)	12,423,414
Cash and cash equivalents at beginning of period / year	13,849,400	1,425,986	1,425,986
Cash and cash equivalents at end of period / year	12,818,746	641,929	13,849,400

NOTES TO THE FINANCIAL INFORMATION

For the period ended 30 June 2020

1. GENERAL

The interim financial information for the period to 30 June 2020 is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

2. ACCOUNTING POLICIES

The interim financial information in this report has been prepared on the basis of the accounting policies set out in the audited financial statements for the period ended 31 December 2019 together with new and amended standards applicable to periods commencing 1 January 2020, which complied with International Financial Reporting Standards as adopted for use in the European Union ("IFRS").

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee and there is an on-going process of review and endorsement by the European Commission.

The financial information has been prepared on the basis of IFRS that the Directors expect to be applicable as at 31 December 2020, with the exception of IAS 34 Interim Financial Reporting.

The Directors have assessed the Company's ability to continue as a going concern. Although the oil and gas industry is currently facing the dual challenge of recent commodity price volatility coupled with the effects of COVID-19, fortunately, as a gas focused explorer the Company does not have direct exposure to the oil price and, having taken the decision to raise funds in 2019 to protect itself from capital market volatility, is currently well funded with no debt. Based on the cash and cash equivalents balance at year end and the Company's commitments, the Directors are of the opinion that the Company has adequate financial resources to meet its budgeted exploration programme and working capital requirements, and accordingly will be able to continue and meet its liabilities as they fall due for a minimum of 12 months from the date of signing these financial statements.

The condensed financial information for the period ended 31 December 2019 set out in this interim report does not comprise the Group's statutory accounts as defined in section 434 of the Companies Act 2006.

The statutory accounts for the year ended 31 December 2019, which were prepared under IFRS, have been delivered to the Registrar of Companies. The auditors reported on these accounts; their report was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

3. 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 period.

Given the Company's reported loss for the period, share options and warrants are not taken into account when determining the weighted average number of ordinary shares in issue during the year and therefore the basic and diluted loss per share are the same.

Basic and diluted loss per share

	Period ended 30 June 2020	Period ended 30 June 2019	Year ended 31 December 2019
Loss for the period (£)	(869,505)	(1,557,865)	(2,360,248)
Weighted average number of ordinary shares (number)	1,405,964,855	546,174,529	979,603,077
Loss per share from continuing operations	(0.06)p	(0.29)p	(0.24)p

4. SHARE CAPITAL

a) Share Capital

The Company has one class of ordinary share which carries no right to fixed income nor has any preferences or restrictions attached.

Issued and fully paid:

	30 June 2020 £	30 June 2019 £	31 December 2019 £
1,405,964,855 ordinary shares of 0.5p each (30 June 2019: 548,821,998 ordinary shares)	7,029,824	2,744,109	7,029,824

5. SUBSEQUENT EVENTS

There were no significant events subsequent to 30 June 2020.

6. COPIES OF INTERIM REPORT

Copies of the interim report are available to the public free of charge from the Company at Deltic Energy Plc, First Floor, 150 Waterloo Road, London, SE1 8SB during normal office hours, Saturdays and Sundays excepted, for 14 days from today and will shortly be available on the Company's website at www.delticenergy.com.

Investing policy

In addition to the development of the North Sea Oil & Gas assets Deltic Energy Plc has acquired to date, the Company proposes to continue to evaluate other potential oil & gas and mining projects globally 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 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 per cent. 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.

Forward looking statements

This interim 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.

Glossary of Technical Terms

AVO:	Amplitude Versus Offset - AVO analysis is a technique that geophysicists can execute on seismic data to determine a rock's fluid content, porosity, density or seismic velocity, shear wave information, fluid indicators (hydrocarbon indications).
PRMS: (2007)	Petroleum Resources Management System
BCF:	Billion Cubic Feet
GIIP:	Gas Initially In Place
mmboe:	Million barrels of oil equivalent
mmscfd:	Million standard cubic feet per day
NPV10:	Is the present value of estimated future oil and gas revenues net of estimated direct expenses and discounted at an annual discount rate of 10%

Prospective Resources:	Are estimated volumes associated with undiscovered accumulations. These represent quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from oil and gas deposits identified on the basis of indirect evidence but which have not yet been drilled.
Geological Chance of Success (GCoS):	for prospective resources, means the chance or probability of discovering hydrocarbons in sufficient quantity for them to be tested to the surface. This, then, is the chance or probability of the prospective resource maturing into a contingent resource. Prospective resources have both an associated chance of discovery (GCoS) and a chance of development (economic, regulatory, market and facility, corporate commitment and political risks). The chance of commerciality is the product of these two risk components. These estimates have been risked for chance of discovery but not for chance of development.
EMV:	Expected Monetary Value, being the value for a set of possible scenarios based on the average risked value of that set of scenarios and which is calculated by multiplying the value of each possible scenario with the chance of that scenario being realised
STOIIP:	Stock tank oil initially in place is the estimated amount of crude oil present in a hydrocarbon reservoir prior to production taking place.
TCF:	Trillion Cubic Feet
P90 resource:	reflects a volume estimate that, assuming the accumulation is developed, there is a 90% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a low estimate of resource.
P50 resource:	reflects a volume estimate that, assuming the accumulation is developed, there is a 50% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a median or best case estimate of resource.
P10 resource:	reflects a volume estimate that, assuming the accumulation is developed, there is a 10% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a high estimate of resource.
Pmean:	is the mean of the probability distribution for the resource estimates. This is often not the same as P50 as the distribution can be skewed by high resource numbers with relatively low probabilities.

The GIIP volumes and Prospective Resources have been presented in accordance with the 2007 Petroleum Resources Management System (PRMS) prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE), reviewed, and jointly sponsored by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE).

****ENDS****

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