

Deltic Energy Plc
Annual Report & Accounts 2022



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Chairman's Statement

The last year has seen high levels of uncertainty in global economies. As the world slowly emerged from the global pandemic, further disruption came from the Russian invasion of Ukraine beginning in February 2022 and continuing today. As the world supports Ukraine's resistance, the knock-on effect on trade and the supply of food and energy has caused continuing challenges at a global scale, national scale and to individual households.

A major re-structuring of the total energy system began at a global scale in order to secure continued supplies while reducing dependence upon Russian supplies. The dependence of Europe on Russia for oil and gas became apparent, including leading economies such as Germany which had grown over the years after previously being self-sufficient. While UK dependence upon Russia was not so directly felt as many EU countries, there was an indirect impact as markets tightened.

The changing situation has caused policymakers and commentators to better understand and emphasise the importance of security of supply and the value of domestic supplies for energy security as well as for jobs, treasury receipts and for greenhouse gas emissions when compared with imports of the same resources.

At the same time, the rise in commodity prices associated with tighter supplies, and increasing profits, at a time when people were experiencing much higher energy bills from the same market forces, brought negative attention to our sector. Government interventions resulted in the introduction of the Energy Profits Levy ('EPL'), such that the sector now has the highest taxes for any UK industrial sector.

With all this going on in the outside world, our company continued to follow its business plan of feeding a conveyor belt of opportunities from licence round through technical evaluation; to bringing in high quality partners and ultimately drilling exploration wells.

During the year, our company applied for a number of licences in the 33rd Offshore UK Licensing Round, worked on farming-out several attractive prospects, advanced the evaluation of drilling opportunities across many of our licences with our industry partners, while securing commitment to drill Selene with Shell. Pensacola became the first prospect the company has drilled resulting in a very successful discovery of gas just off the northeast coast of England.

All of this will be more fully covered in the following reports by our Chief Executive Officer Graham and Chief Operating Officer Andrew, but at the highest level we can say that, through all of the external challenges, as prices rise and fall and as sentiment sees peaks and troughs, we are getting on with the job we set out to do in becoming a leading North Sea exploration company.

Mark Lappin
Chairman

19 April 2023

Chief Executive's Statement

The last year has been transformational for our company and its future. We started 2022 with just one committed exploration well and now have a major discovery on the play-opening Pensacola prospect as well as a further committed exploration well on our Selene prospect. The drilling of the first well on one of our licences represented a significant milestone in the evolution of Deltic and we were delighted to achieve initial success in discovering both gas and oil. The benefits of this are wide-reaching in that in addition to it representing our first discovery, it demonstrates the success of our model to identify quality opportunities and create a conveyor belt of exploration assets attracting the highest quality partners to facilitate the progression from licensing to drilling. This has been further highlighted by Shell's decision to drill the high impact, low risk Selene prospect which is of a similar scale to Pensacola. In addition to the further endorsement of the quality of our assets, having a well at Selene to add to our discovery further de-risks the investment proposition and provides a fantastic base from which to continue to grow the Company. Accordingly, we are delighted with how things have progressed and excited about the future development of the Company.

Pensacola Discovery

In November 2022, Shell commenced the drilling of the first well at Pensacola, with drilling operations continuing through to February 2023 and we were delighted to announce a very significant discovery of gas.

The well encountered 19 metres of reservoir on the edge of the structure with higher than expected average porosity of 16% and proved a hydrocarbon column of in excess of 100 metres. It was particularly pleasing that following drilling, our pre-drill estimate of gas volumes was confirmed at just over 300 BCF (P50 Estimated Ultimate Recovery) equivalent to 50 mmboe. On test, gas flowed at a maximum rate of c. 5 mmscf/day which, while in line with pre-test expectations, is not considered representative of the much higher flow rates that would be expected on a horizontal appraisal or production well drilled in the centre of the structure.

The well also unexpectedly encountered oil with 34-36° API which has the potential to create further opportunity on the licence. While the upside associated with the oil is still being evaluated, the well has indicated the presence of a potentially significant volume of oil which could lead to additional future activity on Pensacola.

This first exploration well has resulted in a highly positive outcome and, at approximately 300 BCF, is the largest natural gas discovery in the Southern North Sea ("SNS") in over a decade and is close to existing infrastructure. The discovery represents a major milestone in the development of our company as we continue to execute our exploration-led strategy and progress our portfolio of high-quality drilling opportunities in order to create value for our shareholders.

We are now entering a period of post well analysis which will shape appraisal and development plans with appraisal drilling anticipated late 2024. We are looking forward to working with our partners, Shell and ONE-Dyas, as we continue to progress this exciting and significant discovery and look forward to updating the market in due course.

As well as opening a new Zechstein play in this mature basin, this discovery highlights the remaining potential of the North Sea as a source of further discoveries which can provide domestically produced natural gas, supporting UK energy security while we transition toward a Net Zero economy.

As a result of this discovery, Deltic now has a highly valuable and marketable asset and in line with the Company's strategy, Deltic is considering all options in relation to its interest in Pensacola, including appraisal and development as well as potential full or partial monetisation of value with a view to maximising shareholder value from the discovery.

Selene

Throughout the year, the JV continued to refine its technical and commercial assessment of the Company's Selene prospect on Licence P2437. This work was rewarded in July when Shell confirmed that they had taken the important step of making a positive well investment decision and committed to drilling the prospect such that Selene is now a firm well.

We continue to consider Selene the largest undrilled structure of its kind in this part of the SNS. With estimated P50 resource of in excess of 300 BCF (50 mmboe) and a high geological chance of success (70%) we are excited to be drilling this prospect.

Well planning has begun and although a well slot has yet to be confirmed it is currently anticipated that Selene will be drilled in Q3 2024.

In the meantime, we expect the site survey to be carried out later this year along with confirmation of rig contract.

Chief Executive's Statement

continued

Capricorn Energy JV - Licences P2560, P2561, P2562, P2567 and P2428

2022 saw continued progress across the various licences held jointly with Capricorn. The results of the new high quality modern 3D seismic survey were received, and reprocessing of existing legacy data has been recently completed. The key area of focus across the key licences has been the Carboniferous play in which multiple leads and prospects exist. Significant volumes of gas are estimated to exist across these licences, totalling in excess of 2 TCF of Gas Initially in Place ('GIIP'). We continue to work closely with Capricorn and current activity is centred around refinement of the assessment of risks and volumes in order to support a drilling decision.

Deltic notes recent announcements by Capricorn as it undertakes a strategic review, expected to be complete by the end of April, and considers the future of its UK business as part of that process. Deltic also notes Capricorn's recent cost base update statement which indicated an intention to monetise or farm down its UK exploration assets. Deltic's focus remains on expediting drilling of its prospects and will continue to work with Capricorn to seek to effect this within the licence timeframes. In the meantime, Capricorn continues to meet all obligations under the farm out entered in 2021 and the current phase of each of the licences.

Central North Sea

Throughout the year, we made good progress in maturing our Syros oil prospect on Licence P2542. The purchase of recently reprocessed seismic data has facilitated a revised and more robust interpretation of the prospect by our technical team. Following this work, we consider Syros to be a low-risk prospect with estimated P50 prospective resources of 25 mmbob and a 58% geological chance of success. Syros also sits in close proximity to existing infrastructure with multiple offtake opportunities, which would allow it to be quickly and easily developed. This work has allowed us to commence a farm out process and we are currently engaging with a number of counterparties.

Fundraising

In September, we were very pleased to raise gross proceeds of approximately £16 million in an oversubscribed placing and accompanying open offer which was supported by all of our key shareholders as well as a number of new institutional investors. This fundraising was particularly important as, amongst other things, it allowed Deltic to progress Selene into the drilling phase of the licence following the positive well investment decision. We appreciate the continued support of our shareholders and welcome the addition of new institutional shareholders.

Energy Policy/Windfall Tax

In the course of 2022, gas prices rose to unprecedented levels with governments finally waking up to the importance of energy security. To that end, Deltic welcomed the UK Government's Energy Security Strategy which was announced in April 2022 which as well as recognising the importance of maintaining domestic production (over higher emission imports of LNG), confirmed a new UK licensing round which was launched towards the end of last year. However, the Government subsequently bowed to pressure and introduced a windfall tax in May in the form of the Energy Profits Levy ("EPL") which, following further amendment in November, ultimately increased the tax on profits to 75% and extended the tax to 2028. Deltic does not have direct exposure to the EPL, however it has weighed heavily on the sector and this lack of fiscal stability has impacted the relative competitiveness of the UK in terms of attracting investment.

One very positive aspect of the EPL which Deltic supports was the introduction of the Investment Allowance which allows companies which are subject to the EPL an investment allowance resulting in a 91% cost saving on new investment. This means that for EPL paying companies, the value and hence attractiveness of Deltic's assets is materially enhanced and we would therefore hope to benefit from this as we continue to progress drilling activity and seek further high calibre partners.

Outlook

While gas prices have inevitably come down significantly from the unprecedented highs experienced in 2022, as the energy crisis and the war in Ukraine has continued, a structural shift in gas markets appears to have occurred with long term gas prices expected to remain significantly higher than historic averages. While we do not seek to predict commodity prices, nor do our projects require inflated prices, we believe the long term pricing outlook should strongly support ongoing investment in new gas projects.

The outlook for Deltic remains extremely bright. The first, successful, well has been drilled on one of our licences which made a very significant discovery of gas. This fundamentally changes Deltic's model, as we now have a valuable development asset, as opposed to being purely exploration-driven. We now anticipate appraisal activity on Pensacola as the next step towards its commercial development as well as another exploration well at Selene, each of which will be high impact catalysts. More widely, we have demonstrated that potential exists for further exploration success in the SNS and the critical role that companies like Deltic have in supporting future domestic production and energy security.

Chief Executive's Statement

continued

We are continuing to work with Capricorn on our other SNS licences and our farm out process on our Syros prospect is ongoing. In line with our strategy to continue to grow our asset base, we have also applied for a number of new licences in the latest UK licensing round and, assuming success, this will give us the opportunity to further enhance our portfolio of drilling opportunities.

I would like to take this opportunity to thank the Deltic team for their hard work and commitment throughout the last year and our shareholders for their ongoing support as we strive to create value.

Graham Swindells
Chief Executive Officer

19 April 2023

Operational Review

P2252 Pensacola (30% Deltic, 65% Shell, 5% ONE-Dyas) & P2558 Pensacola North (30% Deltic, 70% Shell)

The key activity for the P2252 Pensacola licence, and the Company during the period was the drilling of the 41/05a-2 discovery well on the Pensacola prospect, with well operations commencing on 23 November 2022. The well successfully met all its key pre-drill objectives, including the discrimination between two competing geological models, confirmation of hydrocarbons significantly in excess of minimum economic volumes within the Pensacola structure, and a demonstration of hydrocarbon mobility.

Well 41/05a-2, operated by Shell, reached a total depth of 1,965m TVDSS and the presence of mobile oil and gas in the primary Zechstein Hauptdolomite carbonate target interval was confirmed via core and wireline logs. The well encountered top Hauptdolomite reservoir in a slope facies with a reservoir thickness of 18.8m with an average porosity of 15.8%. A probable gas-oil contact was observed in the well, indicating a substantial hydrocarbon column and the deeper oil-water contact has not been proven by the well. Based on our current mapping of the Pensacola prospect, it appears that hydrocarbons are present below the 4-way dip closed structure and work is ongoing to understand the additional potential upside that may be associated with a deeper oil-water contact.

On test, the well flowed at a rate of 4.75mmscf/day, approaching a stable rate of around 1.75mmscf/day after 12 hours with water production also rapidly declining over the testing period. In addition, the well flowed black oil (34-36 API°) at a rate of approximately 18bbls/day. The test rates were in-line with pre-test expectations based on the reservoir facies intersected and the down-dip location of the well. Significantly improved flow rates are predicted from horizontal wells targeting the thicker, higher quality oolitic dolomites, which preliminary post-well analysis indicates are present across the top of the structure and contain the bulk of the recoverable gas resource.

In light of the data collected during drilling and testing, Deltic has updated its volumetric estimates for Pensacola and now estimates the Pensacola discovery to contain a P50 Estimated Ultimate Recovery ('EUR') of 302 BCF (P90 to P10 Range = 164 to 519 BCF) which is in-line with pre-drill estimates. The significance of the oil recovered during testing is being evaluated, however preliminary evaluation is suggesting that the volumes of oil involved could potentially be very material.

Deltic believes the well results materially de-risk follow-on prospectivity associated with the Pensacola North prospect on adjacent licence P2558, located immediately to the north, and will provide an update once the post-well laboratory analysis has been fully integrated into the regional geological model.

The information gathered from this well and the ongoing laboratory work on samples collected during drilling and testing will now be integrated into the geological model for Pensacola and the associated follow-on prospectivity and inform the next steps on the licence, with appraisal drilling anticipated late 2024.

P2437 Selene (50% Deltic, 50% Shell)

On 26 July, Deltic was delighted to announce that the JV had made a positive well investment decision and following approval from the North Sea Transition Authority (or "NSTA"), the JV received formal confirmation that the P2437 licence had moved into the next phase of the licence on 31 October 2022. As planned, Shell also assumed Operatorship of the P2437 licence as part of the process of moving into the drilling phase.

While rig selection and scheduling is yet to be confirmed by the Operator, well engineering and planning work has commenced and we expect a site survey to be completed in the second half of 2023 in anticipation of drilling commencing in Q3 2024.

The well will be located and designed to prove the presence of gas in excess of the minimum economic volume required to support a future development of the lowest possible cost and to collect the additional geotechnical information required to support field development planning.

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%.

Operational Review

continued

P2428 Cupertino Area and P2567 Cadence Area (40% Deltic, 60% Capricorn)

Work during the period focused on completion of the processing work on the 680km² of new 3D seismic shot over licence P2428 in 2021 which was delivered in mid-2022 and the reprocessing of the legacy VE08 3D survey over licence P2567, with final products delivered in early 2023. This newly delivered data has been integrated into the regional geological dataset and is being used to refine the JV's assessment of the prospectivity across the blocks.

The Capricorn JV has been focusing on the Carboniferous play and has identified a number of potentially material leads and prospects with some similarities to nearby producing fields such as Breagh and discoveries such as Pegasus and Andromeda which are located immediately to the south of these licences.

The Carboniferous play as a whole is considered low risk with very material in-place prospective resources of approximately 2 TCF (mid-case estimate) across the two licences.

Ongoing work is focusing on the assurance of volumes and risks associated with individual prospects and leads in order to high grade potential drilling opportunities across both licences.

P2560, P2561 and P2562 – South Breagh Area (30% Deltic, 70% Capricorn)

Work during the period focused on the integration and upgrading of legacy datasets including the reprocessing of the Lochran 3D survey covering much of Licence P2560 and the northern part of P2562. Final reprocessing products were delivered in January 2023 and the focus has been on maturing a small number of leads across the licence area using this new data. The lack of high quality 3D seismic is hampering the assessment of prospectivity over much of P2561 and P2562 and the JV will take a view on the future of those licences in the coming months. The primary prospect is the intra-Carboniferous Lochran Deep structure on Licence P2560 which has the potential to contain material volumes of gas, significantly in excess of that estimated by previous Operators.

Deltic notes Capricorn's recent cost base update statement which among other things indicated that as part of a strategic review, the board of Capricorn had concluded it's near-term strategic focus should be primarily on Egypt, and to farm down, monetise or exit exploration concessions outside Egypt. While Deltic cannot comment on Capricorn's strategic review and its plans to farm down or monetise any of the five licences Deltic holds jointly with Capricorn, work progresses across those licences and Capricorn continues to meet all obligations under the farm out entered in 2021 and the obligations under each phase of the licences.

Phase A of each of the licences ends on 30 November 2023 with the exception of P2428 which ends on 31 March 2024.

P2542 Syros (100% Deltic)

Deltic has now 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 was commenced late in 2022 and Deltic has had significant engagement with a number of credible operators in relation to Syros and management are confident of attracting a joint venture partner.

Portfolio Management

As previously reported, Deltic was informed by the Operator of licence P2435, The Parkmead Group, that a farm out partner could not be found to assist in the maturation of the Blackadder prospect within the required licence timeframe, and therefore recommended that the licence should be relinquished. Relinquishment of Licence P2435 was confirmed on 30 September 2022.

Similarly, a farm out partner could not be found to participate in the drilling of the Dewar prospect within the required licence timelines and, in line with previously stated intentions, the licence was relinquished on 30 September 2022.

Operational Review

continued

33rd Licensing Round

The NSTA announced the launch of the 33rd licensing round on 7 October 2022, with 931 blocks and part blocks available for licensing. The round closed for applications on 12 January 2023 and following an extensive review of a large number of opportunities Deltic submitted a number of applications for blocks and part blocks in both the Southern and Central North Sea.

Significant interest from the industry was noted, with the NSTA reporting that 115 bids across 258 blocks were received across the licensing round, with a total of 76 different companies submitting applications. Deltic expects the NSTA to start awarding new licences resulting from the 33rd round from Q3 2023.

Andrew Nunn

Chief Operating Officer

19 April 2023

Operational Review

continued

Portfolio and Resource Summary

The Company's current licence portfolio and prospect inventory, as of the end of March 2023, is summarised below:

Southern North Sea – Discoveries

Licence Ref:	Block ID	Deltic Equity	Project ID	Discovered (D)	Net to Deltic P50 Estimated Ultimate Recovery (BCF)			
					P90	P50	P10	GCoS
					Low	Best	High	%
P2252 ¹	41/5a, 41/10a & 42/1a	30%	Pensacola - Zechstein	D	49.5	90.6	155.7	100
P2437 ¹	48/8b	50%	Sloop - Leman	D	4	9	19	100

¹ Operated by Shell

Southern North Sea – Prospects and Leads

Licence Ref:	Block ID	Deltic Equity	Project ID	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	50%	Selene - Leman	P	66	159	290	70	
			Endymion - Leman	L	18	24	31	27	
			Rig & Jib - Leman	L	7	18	29	35	
P2428 ²	43/7 & 43/8	40%	Cupertino		To Be Determined				
			Cupertino NE						
			Cambridge						
			Chelmsford						
			Callander		To Be Determined				
P2567 ²	43/11 & 43/12b	40%	Richmond - Leman	L	25	84	219	20	
			Cadence		To Be Determined				
			Cadence North						
			Cadence West						
			Chester		To Be Determined				
			Bassett - Bunter Sst	L	14	51	121	37	
P2560 ²	42/13b 42/17 & 42/18	30%	Bathurst - Bunter Sst	L	48	110	228	22	
			Lochran Deep		To Be Determined				
P2561 ²	42/19 & 42/20b	30%			To Be Determined				
P2562 ²	42/22 & 42/23	30%			To Be Determined				

¹ Operated by Shell

² Operated by Capricorn Energy

Operational Review

continued

Central North Sea

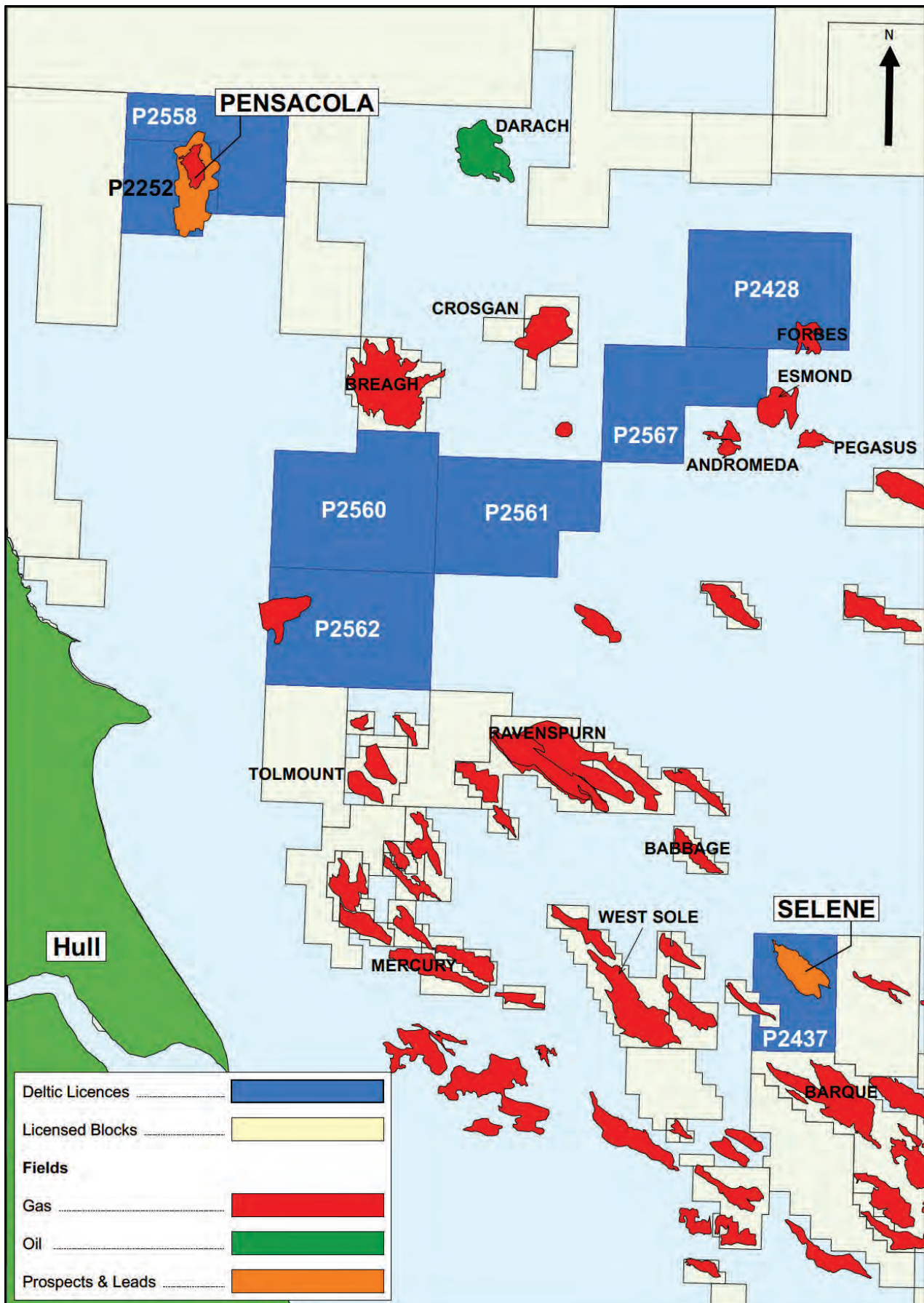
Licence Ref:	Block ID	Deltic Equity	Project ID	Discovery (D) Prospect (P) Lead (L)	Net to Deltic Prospective Resource (MMBOE)			GCoS %
					P90 Low	P50 Best	P10 High	
P2542	22/17a	100%	Syros - Fulmar	P	13.7	24.5	39.7	58

Andrew Nunn
Chief Operating Officer

19 April 2023

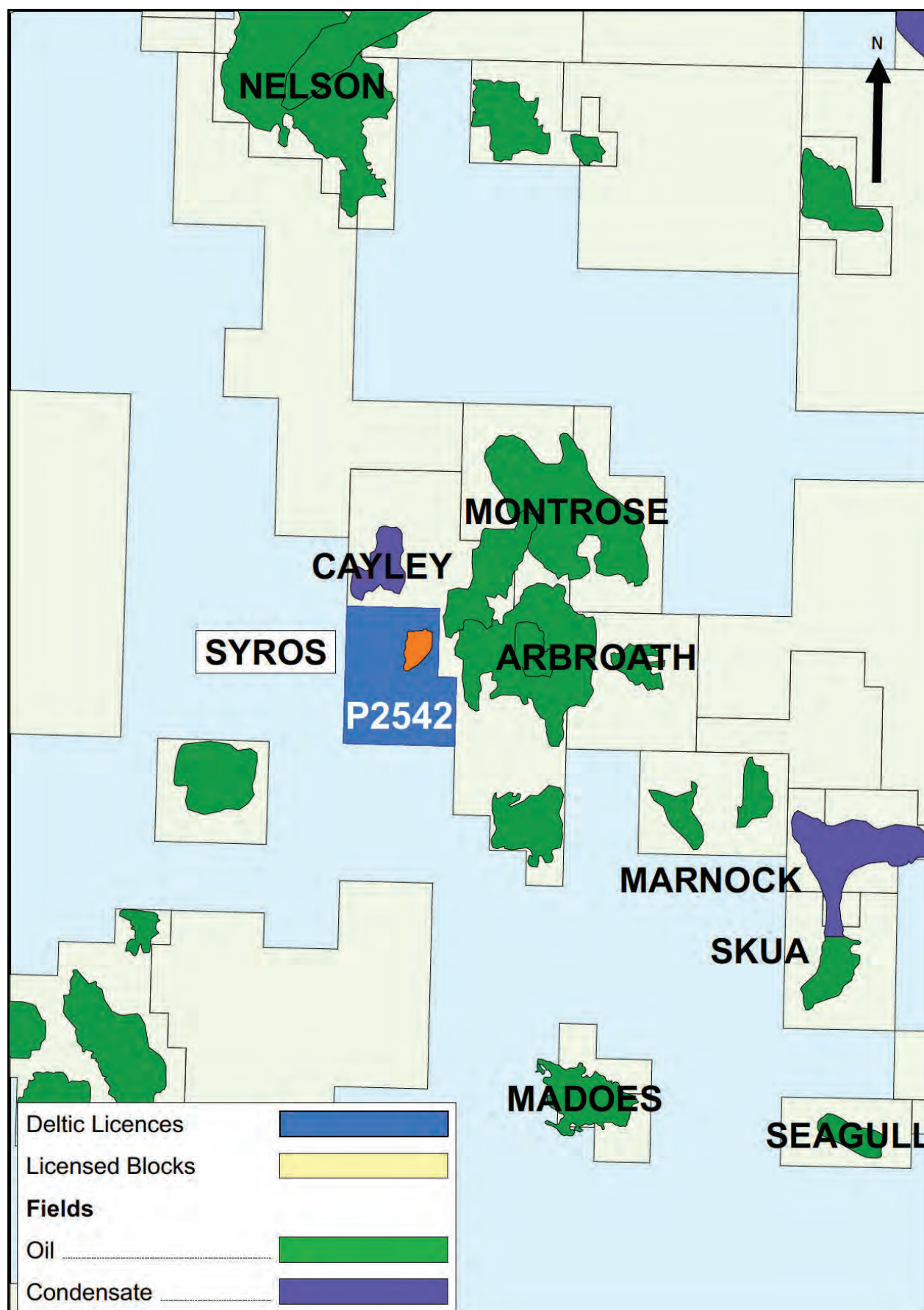
Operational Review

Our Locations - Southern North Sea



Operational Review

Our Locations - Central North Sea



Environmental, Social and Governance

Priorities and Supporting Policy Framework

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

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

During 2021 we formalised the data capture and reporting procedure for the Company’s Scope 1 and Scope 2 emissions associated with our operated assets which is in line with the methodology employed by our key partners. Deltic’s adopted reporting process is based on the UK government’s Streamlined Energy and Carbon Reporting (“SECR”) which implements the Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (“the 2018 Regulations”) and aligns with relevant emissions reporting requirements required by The North Sea Transition Authority (“NSTA”).

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 2022.

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

	2022	2021	2020
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	10624	9064	9390

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 2022 reporting period, the magnitude of climate-related emissions associated with the Company's activities is limited. NSTA mandatory reporting of Fugitive Methane Emissions, Scope 1 and 2 emissions per barrel of oil equivalent production and Carbon Intensity Statements are not relevant to the Company at this stage of its development, however the Company will undertake to monitor and report its annual total Scope 1 (direct from gas combustion on site and vehicle fleet) and Scope 2 (indirect from electricity purchased) until such time that the NSTA defined metrics are applicable.

Currently the Company has a negligible Scope 1 emissions footprint and Scope 2 emissions are limited to electricity required to support office-based activities at our registered office.

	Reporting Units	2022	2021	2020
Direct GHG Emissions (Scope 1) ^a	kgCO ₂ e	0	0	0
Indirect GHG Emissions (Scope 2) ^b	kgCO ₂ e	6,419	5,939	6,186
Total Scope 1 & 2 Emissions	kgCO ₂ e	6,419	5,939	6,186
Carbon Intensity	kgCO ₂ /boe	N/A	N/A	N/A
Methane Intensity	%	N/A	N/A	N/A
Energy Consumption ^c	kWh	34,427	27,974	26,534

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

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

c) Since 20 Jan 2020 our Fixed Business Plan, which accounts for 24,634kWh of our total Scope 2 emissions in 2021, uses 100% renewable electricity.

2022 saw a return to predominantly office-based working conditions and as anticipated we have seen a slight increase in total energy consumption over the course of the year when compared to the previous year where the Company was transitioning from a 'work-from-home' situation following the lifting of various COVID-related restrictions.

Although overall energy consumption increased over the period, the total GHG Emissions were reduced reflecting an increase in renewables in the overall UK electricity generation mix as reflected in the official UK Government conversion factors.

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

Other Emissions to Air and Water

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

Financial Review

Overview

The Company had a cash balance of £20,409,692 at the end of the year (2021: £10,092,205). In September, the Company raised £15,958,850 (gross) by issuing 455,967,137 ordinary shares as part of a placing and open offer at 3.5 pence per share ("the Fundraise").

The Company moved into a more operational phase during the year and drilling operations commenced at Pensacola in November and continued through to February 2023.

Loss for the year

The Company incurred a loss for the year to 31 December 2022 of £2,989,404 (2021: £1,935,052). Administrative expenses of £2,745,350 (2021: £1,912,987) were incurred during the year.

The prior year loss included a gain of £298,173 associated with the farm-out of five gas licences in the Southern North Sea to Capricorn Energy PLC as part of the USD \$1 million consideration Deltic received as a contribution to historic costs. The prior year gain is included as other operating income in the Income Statement for the prior year.

A write down of £347,610 is recognised in the year resulting from the relinquishment of licences P2435 (Blackadder Prospect) and P2537 (Dewar Prospect) ('the Write Down'). In 2021, a write down of £288,551 was recognised relating to the relinquishment of Licence P2384 (Manhattan Prospect) and P2424 (Cortez Prospect).

Finance income of £129,301 (2021: £2,905) was earned on short term high interest-bearing deposits on surplus funds following the Fundraise. Finance costs of £25,745 (2021: £34,592) were recognised as interest charged on a lease liability relating to the office lease.

Balance Sheet

The Company continues to retain a strong balance sheet with total Capital and Reserves at 31 December 2022 of £24,192,695 (2021: £11,663,005). As at 31 December 2022, there were 1,861,931,992 (2021: 1,405,964,855) ordinary shares in issue. The increase reflects the additional shares issued as part of the Fundraise. Additionally, a total of up to 162,840,450 (2021: 128,840,450) new ordinary shares may be issued pursuant to the exercise of share options.

The value of exploration assets increased by £7,566,359 to £9,769,477 (2021: £2,203,118) mainly reflecting commencement of Pensacola drilling operations in November 2022, offset by the Write Down.

Drilling operations continued through to February 2023 and the value of work undertaken during 2022 was £5,981,947 (2021: £1,152,403), and accordingly part of the cost of the Pensacola well will be incurred during 2023. The total net cost to Deltic of drilling the Pensacola well is £12.8 million

reflecting certain additional operational requirements during drilling, weather conditions, additional testing costs, as well as market influences, including inflation and exchange rate movements.

In accordance with IAS 37, the Company recognised a provision with a corresponding asset of £1,281,000 for the planned plug and abandonment of the Pensacola well in February 2023.

The Company spent £651,022 (2021: £335,756) further progressing the Company's exploration licence portfolio, in particular the Syros Licence. This was partially offset by the Write Down recognised during the year. All costs associated with the five licences held jointly with Capricorn Energy PLC are paid in full by Capricorn Energy PLC until a well investment decision is reached.

Property, plant and equipment of £279,545 (2021: £385,240) includes a right of use asset relating to the office lease with a net book value of £188,837 (2021: £269,767). Property, Plant and Equipment reduced by £105,695 to £279,545, 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 2022 was £20,409,692 (2021: £10,092,205) with the year-on-year increase mainly arising from the Fundraise.

Total current liabilities, which include short-term creditors, accruals, provisions and lease liabilities increased to £6,359,439 (2021: £1,030,143). Liabilities of £3,301,809 (2021: £256,860) are due to the Joint Venture partner for payments associated with Pensacola drilling operations. Other payables and accruals of £1,259,172 (2021: £197,089) mainly represent drilling value of work done but yet to be billed by the Joint Venture partner. A provision of £1,281,000 has been recognised at the year end for the costs expected to be incurred in early 2023 for the planned plug and abandonment of the Pensacola exploration well.

The Company has no debt.

Cash flow

As at 31 December 2022, the Company held cash and cash equivalents totalling £20,409,692 (2021: £10,092,205). The Company had a net cash inflow for the year of £10,317,487 (2021: outflow £1,876,653).

A net cash outflow from operating activities of £2,182,387 (2021: £1,623,057) was incurred for general and administrative costs.

Net cash of £2,509,979 (2021: £136,781) was used in investing activities including £2,557,582 (2021: £853,744) on exploration and evaluation assets. The total net cost of drilling the Pensacola well is £12.8 million of which of which

Financial Review

continued

£2,102,352 (2021: £584,355) cash was paid to the joint venture partner during 2022 and the remaining cost of the drilling operations is payable in 2023.

A further £455,230 (2021: £269,389) was spent developing the other licences in the exploration portfolio. In the prior year, £719,953 was received as proceeds, as a contribution to historic costs, from the farm-in by Capricorn Energy PLC on five Southern North Sea licences. Interest of £56,606 (2021: £2,905) was received on high interest-bearing deposits on surplus funds following the Fundraise.

The cash increase in the year is driven by the Fundraise proceeds of £15,958,850 (2021: nil) offset by £824,258 of expenses associated with the Fundraise (2021: nil).

Going concern

The Directors have assessed the Company's ability to continue as a going concern. Although the oil and gas industry faces a period of change under the current geopolitical environment, the Company does not anticipate any negative issues impacting its ability to operate as a going concern. Having raised funds in 2022 the Company is currently well funded for its existing commitments that fall due for a minimum of 12 months from signing these financial statements. The Company has 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 operational and drilling costs commitments, based upon anticipated drilling costs and pre-drilling work schedules, 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.

Sarah McLeod
Chief Financial Officer

19 April 2023

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 funds and/or enter into further commercial and financial arrangements. The need for and amount of any additional funds and/or further commercial partnership arrangements is currently unknown and will depend on numerous factors related to the Company's current and future activities. The Company is likely to seek additional funds, through equity, or partnership arrangements, as it has successfully done in the past. There can be no assurance that any such equity, debt or joint venture financing will be available to the Company in a timely manner, on favourable terms, or at all. Any additional equity financing will dilute current shareholdings. If adequate funds are not available on acceptable terms, the Company may not be able to take advantage of opportunities, as well as possibly resulting in the delay or indefinite postponement of the Company's activities. Following the fundraising in October 2022, the Company is in a strong financial position for 2023 and accordingly, the financial statements are prepared under a going concern basis.

Strategic

Strategy risk

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

Competition risk

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

Operational

Exploration and development risk

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

Other business risks

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

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

Section 172 Statement

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

Likely consequence of any decision in the long term

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

Interests of Employees

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

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

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

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

Maintain a reputation for high standards of business conduct

The Corporate Governance section of this Annual Report at pages 19-21 sets out the Board and Committee structures and extensive board and committee meetings held during 2022, 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

19 April 2023

Graham Swindells
Chief Executive Officer

19 April 2023

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 2022.

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 2022:

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

19 April 2023

Audit Committee Report

Overview

The audit committee met once during the year. The previous external auditor, BDO 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 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 £37,500 (2021: £nil) and no amounts were 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 prior year external auditor, BDO LLP, attended the audit committee meeting during the year prior to the appointment of the Company's external auditor PKF Littlejohn LLP. 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

19 April 2023

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 2022 in consideration of: changes in remuneration, share option awards, bonus awards and 2022 objectives.

During the year there were no changes to the Company's pay and employment conditions and all director salary changes and bonuses were approved by the remuneration committee. A major independent, executive reward company, Mercer Kepler Limited undertook a benchmarking exercise during 2019 on the Company's senior executive and board's remuneration and this was used in determining appropriate salaries and bonuses. The Company plans to undertake a similar benchmarking exercise during 2023.

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

19 April 2023

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 almost 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 Equipose 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 2022.

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 2022 (2021: 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 2022 are set out below:

	Ordinary shares		Share options
	2022	2021	2022
G C Swindells	3,109,121	2,394,836	58,654,096
A J Nunn	1,235,295	806,724	58,654,096
M S Lappin	1,174,887	1,174,887	-
P N Cowley	1,018,489	1,018,489	-
P W Nicol	1,000,000	-	-
	7,537,792	5,394,936	117,308,192

Director's Remuneration

The following table sets out an analysis of the pre-tax remuneration for the year ended 31 December 2022 for the individual Directors who held office in the Company during the year.

	2022	2022	2022	2022	2022	2021
	Salaries	Bonus	Pension	Benefits	Total	Total
	and fees	payments		in Kind		
	£	£	£	£	£	£
G C Swindells	271,682	163,009	27,168	6,789	468,648	353,351
A J Nunn	254,707	152,824	25,471	3,540	436,542	329,755
M S Lappin	60,000	-	-	-	60,000	50,000
P N Cowley	30,000	-	-	-	30,000	25,417
P W Nicol	30,000	-	-	-	30,000	3,654
	646,389	315,833	52,639	10,329	1,025,190	762,177

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

Report of the Directors

continued

Share options

The share-based payment of £262,505 (2021: £140,192) to Directors represents the share-based expense relating to unvested share options during the year.

The following share options table comprises share options held by Directors who held office during the year ended 31 December 2022:

	Options held at 31 December 2021	Options granted in period	Options exercised in period	Options held at 31 December 2022	Exercise price (p)	Exercisable from	Exercisable to
G C Swindells	–	10,000,000	–	10,000,000	2.55	12 July 2025	12 July 2032
	10,000,000	–	–	10,000,000	2.05	22 Sept 2022	22 Sept 2031
	20,000,000	–	–	20,000,000	1.75	8 July 2022	8 July 2029
	9,000,000	–	–	9,000,000	2.32	07 June 2019	07 June 2028
	2,200,000	–	–	2,200,000	3.75	30 April 2015	30 April 2024
	7,454,096	–	–	7,454,096	1.325	10 June 2017	10 June 2026
A J Nunn	–	10,000,000	–	10,000,000	2.55	12 July 2025	12 July 2032
	10,000,000	–	–	10,000,000	2.05	22 Sept 2022	22 Sept 2031
	20,000,000	–	–	20,000,000	1.75	8 July 2022	8 July 2029
	8,200,000	–	–	8,200,000	2.32	07 June 2019	07 June 2028
	3,000,000	–	–	3,000,000	3.88	6 Sept 2015	22 May 2024
	7,454,096	–	–	7,454,096	1.325	10 June 2017	10 June 2026

Further details of share-based payments are set out in note 23.

Financial Instruments

Details of the use of financial instruments by the Company are contained in note 20 of the financial statements.

Subsequent Events

Events subsequent to 31 December 2022 are set out in note 25 to the financial statements on page 53.

Business Risks

A summary of the principal and general business risks can be found in the Strategic Report on page 16 and in note 20 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 were appointed as auditors during the year and 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

19 April 2023

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 2022 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 2022 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.

Conclusions relating to going concern

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:

- Reviewing management's formal assessment of the Company's going concern which included cash flow forecasts and working capital forecast for the period up to June 2024;
- Testing the mathematical accuracy of the model and challenging management on the accuracy of calculations as well as any anticipated effect of further macro-economic disruptions;
- Assessing the reasonableness of the cash flow forecast by analysing management's historical forecasting accuracy;
- Reviewing the Company's exploration licences for any committed works and checking whether the commitment was considered as part of the assessment;
- Comparing the forecasted general and administrative expenses and working capital requirements to prior year actual costs and working capital to assess the reasonableness of the cost base;
- For licences with agreed timelines, we obtained the project timeline and ensured that it is consistent with the discussion with management and the budgeted costs based on the model;
- Comparing management's forecasts to actual results through the subsequent events period and performing inquiries to the date of this report; and
- Assessing if the going concern disclosures in the financial statements are appropriate and in accordance with the revised ISA UK 570 going concern standard.

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

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

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 for materiality
Materiality	242,000	1% of Net assets
Performance materiality	145,000	
Triviality	12,000	

The benchmark for materiality was selected as 1% 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. Given 2022 was our first year as auditors we have concluded that 60% of materiality is appropriate to set performance materiality for the company.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during our audit in excess of £12,000 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;
- Carrying amount of decommissioning and restoration costs; 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.

Key Audit Matter	How our scope addressed this matter
<p>Valuation and recoverability of exploration intangible assets</p> <p>The carrying amount of intangible assets related to exploration and evaluation assets amounted to £9,769,477 as at 31 December 2022.</p> <p>During the year, the Company relinquished licences P2537 and P2352. In connection with the relinquishment, the Company wrote off the full amount of the costs capitalised amounting to £347,610.</p> <p>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 2022.</p> <p>Given the inherent judgement involved in the assessment of whether there are indications of impairment to the carrying amount of exploration and evaluation assets, we considered the carrying amount of exploration assets to be a key audit matter.</p>	<p>As part of our audit, we have performed the following procedures:</p> <ul style="list-style-type: none"> We critically assessed whether impairment indicators exist in line with IFRS 6, including the following: <ul style="list-style-type: none"> Considered factors such as the licence status and expiry date together with the historic licence extensions and likelihood of future renewals. Reviewed the results of the technical work to date on each licence where available, together with budgeted work against the licence obligations 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 P2537 and P2352 during the year 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; 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 these 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

19 April 2023

Income Statement

for the year ended 31 December 2022

Continuing operations	Notes	2022 £	2021 £
Administrative expenses:			
Write down on relinquished intangible assets	10	(347,610)	(288,551)
Other administrative expenses		(2,745,350)	(1,912,987)
Total administrative expenses		(3,092,960)	(2,201,538)
Other operating income	10	-	298,173
Operating loss		(3,092,960)	(1,903,365)
Finance income	4	129,301	2,905
Finance costs	5	(25,745)	(34,592)
Loss before tax	6	(2,989,404)	(1,935,052)
Income tax expense	8	-	-
Loss for the year		(2,989,404)	(1,935,052)
Loss per share from continuing operations expressed in pence per share:			
Basic	9	(0.20)p	(0.14)p

Statement of Comprehensive Income

for the year ended 31 December 2022

	2022 £	2021 £
Loss for the year	(2,989,404)	(1,935,052)
Other comprehensive income	-	-
Total comprehensive expense for the year attributable to the equity holders of the Company	(2,989,404)	(1,935,052)

The notes on pages 37 to 53 form part of the financial statements.

Balance Sheet

as at 31 December 2022

	Notes	2022 £	2021 £
Assets			
Non-current assets			
Intangible assets	10	9,769,477	2,203,118
Property, plant and equipment	11	279,545	385,240
Other receivables	12	37,422	37,422
Total non-current assets		10,086,444	2,625,780
Current assets			
Trade and other receivables	12	181,102	190,398
Cash and cash equivalents		20,409,692	10,092,205
Total current assets		20,590,794	10,282,603
Total assets		30,677,238	12,908,383
Capital and reserves attributable to the equity holders of the Company			
Shareholders' equity			
Share capital	13	9,309,660	7,029,824
Share premium		33,150,786	20,296,030
Share-based payment reserve	23	1,535,202	1,150,700
Accumulated retained deficit		(19,802,953)	(16,813,549)
Total equity		24,192,695	11,663,005
Liabilities			
Current liabilities			
Trade and other payables	15	4,988,307	931,148
Lease liabilities	17	90,132	98,995
Provisions	18	1,281,000	-
Total current liabilities		6,359,439	1,030,143
Non-current liabilities			
Lease liabilities	17	125,104	215,235
Total non-current liabilities		125,104	215,235
Total liabilities		6,484,543	1,245,378
Total equity and liabilities		30,677,238	12,908,383

The financial statements of Deltic Energy Plc, registered number 7958581, were approved by the Board of Directors on 19 April 2023 and were signed on its behalf by:

Graham Swindells
Chief Executive Officer

The notes on pages 37 to 53 form part of the financial statements.

Statement of Changes in Equity

for the year ended 31 December 2022

	Share capital £	Share premium £	Share-based payment reserve £	Accumulated retained deficit £	Total equity £
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
Balance at 1 January 2021	7,029,824	20,296,030	990,378	(14,878,497)	13,437,735
Comprehensive income for the year					
Loss for the year	-	-	-	(1,935,052)	(1,935,052)
Total comprehensive loss for the year	-	-	-	(1,935,052)	(1,935,052)
Contributions by and distributions to owners					
Share-based payment	-	-	160,322	-	160,322
Total contributions by and distributions to owners	-	-	160,322	-	160,322
Balance at 31 December 2021	7,029,824	20,296,030	1,150,700	(16,813,549)	11,663,005

The notes on pages 37 to 53 form part of the financial statements.

Statement of Cash Flows

for the year ended 31 December 2022

	2022 £	2021 £
Cash flows from operating activities		
Loss before tax	(2,989,404)	(1,935,052)
Finance income	(129,301)	(2,905)
Finance costs	25,745	34,592
Gain from farm-out of licence interest	-	(298,173)
Depreciation	114,698	115,355
Amortisation	-	5,625
Loss on disposal of property, plant and equipment	-	1,842
Write down on relinquished intangible assets	347,610	288,551
Share-based payment	384,502	160,322
	(2,246,150)	(1,629,843)
Decrease/(increase) in other receivables	81,991	(136,511)
(Decrease)/increase in trade and other payables	(18,228)	143,297
Net cash outflow from operating activities	(2,182,387)	(1,623,057)
Cash flows from investing activities		
Purchase of intangible assets	(2,557,582)	(853,744)
Purchase of property, plant and equipment	(9,003)	(5,895)
Proceeds from exploration licence farm-in	-	719,953
Interest received	56,606	2,905
Net cash outflow from investing activities	(2,509,979)	(136,781)
Cash flows from financing activities		
Proceeds from share issue	15,958,850	-
Expense of share issue	(824,258)	-
Payment of principal portion of lease liabilities	(98,994)	(82,223)
Lease interest paid	(25,745)	(34,592)
Net cash inflow / (outflow) from financing activities	15,009,853	(116,815)
Increase / (decrease) in cash and cash equivalents	10,317,487	(1,876,653)
Cash and cash equivalents at beginning of year	10,092,205	11,968,858
Cash and cash equivalents at end of year	20,409,692	10,092,205

Cash and cash equivalents comprise the following items:

	2022 £	2021 £
Cash at bank and in hand	2,909,692	10,092,205
Short term bank deposits	17,500,000	-
	20,409,692	10,092,205

The notes on pages 37 to 53 form part of the financial statements.

Notes to the Financial Statements

for the year ended 31 December 2022

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').

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 assessed the Company's ability to continue as a going concern. Although the oil and gas industry faces a period of change under the current geopolitical environment, the Company does not anticipate any negative issues impacting its ability to operate as a going concern. Having raised funds in 2022 the Company is currently well funded for its existing commitments that fall due for a minimum of 12 months from signing these financial statements. The Company has 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 operational and drilling costs commitments, based upon anticipated drilling costs and pre-drilling work schedules, and working capital requirements, and accordingly will be able to continue and meet its liabilities as they fall due for a minimum of 12 months from the date of signing these financial statements.

Adoption of new and revised International Financial Reporting Standards

The Company has adopted the following 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 • IFRS 3 Business Combinations; • IAS 16 Property, Plant and Equipment;	
• IAS 37 Provisions, Contingent Liabilities and Contingent Assets • Annual Improvements 2018-2020	1 January 2022

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 2023 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 8: Definition of Accounting Estimates	1 January 2023

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 2022 based on current activities.

Notes to the Financial Statements

for the year ended 31 December 2022

1. Accounting Policies (continued)

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 farnee.

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 2022

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 2022

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 2022

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 16.

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 2022

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 2022

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 21, 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 10)

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

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

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

The carrying value of exploration and evaluation assets were assessed for indicators of impairment at 31 December 2022. In forming this assessment, the Company considered external and internal competent person's reports, the status of the licences, the extent of ongoing exploration activity and steps to secure farm-in partners and other financing which supported the carrying value.

No indicators of impairment were identified at 31 December 2022. As detailed in note 10, 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. In the prior year, following the relinquishment of Licences P2424 and P2384, a write down on relinquished intangible assets of £211,583 and £76,968 respectively being their carrying values were recognised in 2021. The carrying amount of exploration and evaluation assets at the end of the period is shown in note 10.

Estimates

Determination of share-based payment costs (note 23)

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 the prior year management were required to assess the extent to which the minimum share price vesting criteria would be met and the most likely period over which those criteria would be met.

Management concluded that the vesting criteria would be met, and the most likely outcome for the share options issued during the prior year was that the share price vesting criteria would be met within three years for 34,000,000 share options issued during the year as detailed in note 23. 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 and the Capricorn farm-out of Licences P2428, P2567 and P2560/P2561/P2562.

Notes to the Financial Statements

for the year ended 31 December 2022

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

	2022 £	2021 £
Wages and salaries	1,573,414	1,102,989
Short-term non-monetary benefits	30,993	20,630
Defined contribution pension costs	89,471	70,038
Social security costs	218,153	136,069
Share-based payment expense	384,502	160,322
	2,296,533	1,490,048
	2022	2021
The average monthly number of employees during the year was as follows:		
Directors	5	4
Staff	4	4
	9	8

Key management personnel remuneration

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

	2022 £	2021 £
Salaries and bonuses	1,214,318	837,224
Short-term non-monetary benefits	22,216	17,072
Defined contribution pension costs	68,395	54,591
Social security costs	170,391	105,421
Share-based payment expense	308,021	149,327
	1,783,341	1,163,635

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 23 to the financial statements.

4. Finance Income

	2022 £	2021 £
Bank interest	129,301	2,905

5. Finance Costs

	2022 £	2021 £
Effective interest expense on lease liabilities (see note 17)	25,745	34,592

Notes to the Financial Statements

for the year ended 31 December 2022

6. Loss before Tax

	2022 £	2021 £
The loss before tax is stated after charging/(crediting):		
Amortisation of intangible assets	-	5,625
Write down on relinquished intangible assets (see note 10)	347,610	288,551
Depreciation – owned assets	33,768	34,425
Depreciation – right of use leased assets (office lease)	80,930	80,930
Gain on farm-out of intangible exploration asset (see note 10)	-	298,173

7. Auditors' Remuneration

	2022 £	2021 £
Fees payable to the Company's auditors for the audit of the Company's financial statements	37,500	34,000
Fees payable to the Company's auditors for non-audit related services	-	2,000
Fees payable to the Company's auditors for other audit-related services	-	1,500

8. Income Tax

Analysis of income tax expense

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

Factors affecting the income tax expense

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

	2022 £	2021 £
Loss on ordinary activities before taxation	(2,989,404)	(1,935,052)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK (19%) (2021: 19%)	(567,987)	(367,660)
Effects of:		
Capital allowances in excess of depreciation	4,706	5,733
Expenses not deductible for tax purposes	1,451	629
Adjustment in relation to share based payment	58,524	30,461
Unrelieved losses carried forward	503,306	330,837
Income tax expense	-	-

A deferred tax asset of £3,472,227 (2021: £3,017,741) in respect of accumulated trading losses of £18,274,880 (2021: £15,882,852) has not been recognised due to the uncertainty and timing of future profits.

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 162,840,450 (2021: 128,840,450) 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

	2022	2021
Loss per share from continuing operations	(0.20)p	(0.14)p

Notes to the Financial Statements

for the year ended 31 December 2022

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:

	2022 £	2021 £
Loss used in the calculation of total basic loss per share	(2,989,404)	(1,935,052)
Number of shares	2022 Number	2021 Number
Weighted average number of ordinary shares for the purposes of basic loss per share	1,518,395,110	1,405,964,855

10. Intangible Assets

	Exploration & evaluation assets £	Software licences £	Total £
Cost			
At 1 January 2021	1,425,290	39,257	1,464,547
Additions	1,488,159	-	1,488,159
Farm-out of licence	(421,780)	-	(421,780)
Write down on relinquished assets	(288,551)	-	(288,551)
At 31 December 2021	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
Amortisation and impairment			
At 1 January 2021	-	33,632	33,632
Charge for the year	-	5,625	5,625
At 31 December 2021	-	39,257	39,257
Charge for the year	-	-	-
At 31 December 2022	-	39,257	39,257
Net Book Value			
At 31 December 2022	9,769,477	-	9,769,477
At 31 December 2021	2,203,118	-	2,203,118
At 1 January 2021	1,425,290	5,625	1,430,915

The net book value of exploration and evaluation assets at 31 December 2022 and 2021 relates solely to the Company's North Sea Licences.

Additions of £7,913,969 (2021: £1,488,159) differ to the cash flows in the Statement of Cash Flows owing to an increase in trade and other payables of £3,052,066 (2021: £634,415) and an increase in provisions of £1,281,000 (2021: £nil) relating to the plug and abandonment of the Pensacola exploration well that was completed in February 2023.

A charge of £347,610 was recognised during the year (2021: £nil) resulting from the write down on relinquished intangible assets following the decision to relinquish Licence P2435 (Blackadder) and Licence P2537 (Dewar).

A charge of £nil (2021: £288,551) was recognised resulting from the write down on relinquished intangible assets following the decision to relinquish Licences P2384 (Manhattan Prospect) and P2424 (Cortez Prospect).

During the prior year, aggregate cash proceeds arising from the farm-out of five Licences (P2428, P2567, P2560, P2561 and P2562) to Capricorn amounted to £719,953. An amount of £421,780 was deducted from exploration and evaluation assets, being the previously capitalised expenditure relating to that licence. The surplus of the proceeds over the carrying value amounted to £298,173 and was recognised as a gain on disposal of the partial interest and included as other operating income in the Income Statement for 2021.

Notes to the Financial Statements

for the year ended 31 December 2022

11. Property, Plant and Equipment

	Leasehold improvements £	Office lease £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 January 2021	86,452	404,650	42,662	37,920	571,684
Additions	1,317	-	3,138	1,440	5,895
Disposals	-	-	-	(4,121)	(4,121)
At 31 December 2021	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
Depreciation					
At 1 January 2021	7,583	53,953	3,095	10,511	75,142
Charge for year	18,344	80,930	6,663	9,418	115,355
Disposals	-	-	-	(2,279)	(2,279)
At 31 December 2021	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
Net Book Value					
At 31 December 2022	46,872	188,837	29,172	14,664	279,545
At 31 December 2021	61,842	269,767	36,042	17,589	385,240
At 1 January 2021	78,869	350,697	39,567	27,409	496,542

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

12. Trade and Other Receivables

	2022 £	2021 £
Current:		
Trade receivables	-	81,585
Other receivables	92,652	31,848
Other tax receivables	14,221	-
Prepayments	74,229	76,965
	181,102	190,398
Non-current:		
Rental deposit	37,422	37,422
Total receivables	218,524	227,820

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 2022

13. Share Capital

Allotted, issued and fully paid

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

Year ended December 2021		Number	£
At beginning of the year	Ordinary shares of 0.5 pence each	1,405,964,855	7,029,824
Issue of shares		-	-
At end of the year	Ordinary shares of 0.5 pence each	1,405,964,855	7,029,824

On 30 September 2022, 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 new ordinary shares at 3.5 pence per share. The shares were allotted and admitted to trading on AIM on 3 October 2022.

14. Reserves

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

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

15. Trade and Other Payables

	2022 £	2021 £
Current:		
Trade payables	53,749	254,875
Social security and other taxes	373,577	222,324
Joint operations payable	3,301,809	256,860
Other payables and accruals	1,259,172	197,089
	4,988,307	931,148

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

Joint operations payable represents £3,301,809 (2021: 256,860) relating to exploration assets.

16. 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%
P2558 Pensacola North	Oil and gas exploration	30%
P2560/P2561/P2562 Breagh Area	Oil and gas exploration	30%

On 30 September 2022, P2435 Blackadder was relinquished.

At the balance sheet 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 notes 15.

Notes to the Financial Statements

for the year ended 31 December 2022

17. Lease Arrangements

Right of use assets

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

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

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

Lease liabilities

	2022 £	2021 £
Amounts payable at 1 January	314,230	396,453
Effective interest expense	25,745	34,592
Lease payments	(124,739)	(116,815)
Amounts payable within one year at 31 December	90,132	98,995
Amounts payable after year at 31 December	125,104	215,235

18. Provisions

Asset retirement obligation

	2022 £	2021 £
At 1 January	-	-
Additions	1,281,000	-
At 31 December	1,281,000	-

An asset retirement obligation provision has been recognised in relation to the costs expected to be incurred in early 2023. Due to the short term nature of the expenditure, the provision has not been discounted.

19. 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.

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").

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.

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.

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.

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.

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 2022

20. Financial Instruments

Principal financial instruments

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

	2022 £	2021 £
Financial assets		
Cash and cash equivalents – all amounts held in Sterling:		
Cash at bank	20,409,692	10,092,205
	20,409,692	10,092,205
Rental deposit	37,422	37,422
Trade receivables	-	81,585
Other receivables	92,652	31,848
	20,539,766	10,243,060
Financial liabilities		
Trade payables	53,749	254,875
Other payables & accruals	4,560,981	453,949
Lease liabilities ¹	215,236	314,230
	4,829,966	1,023,054

¹ £90,132 of the lease liability is payable within one year and £125,103 is payable greater than one year.

General objectives and policies

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

Policy on financial risk management

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

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

Derivatives, financial instruments and risk management

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

Foreign currency risk management

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

Credit risk

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

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

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

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.

Notes to the Financial Statements

for the year ended 31 December 2022

20. Financial Instruments (continued)

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 2022, the Company was financed by cash raised through equity funding in 2019 and 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 2022 and 31 December 2021 on the basis of their earliest possible contractual maturity.

	Total £	Within 2 months £	Within 2 – 6 months £	Within 6 – 12 months £	Within 1 – 2 years £	Within 2 – 5 years £
At 31 December 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
At 31 December 2021						
Trade payables	254,875	254,875	-	-	-	-
Other payables & accruals	453,949	-	453,949	-	-	-
Lease liabilities	354,740	-	64,250	60,490	96,537	133,463
	1,063,564	254,875	518,199	60,490	96,537	133,463

21. 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 2022 following equity fundraising completed in 2019 and October 2022. Based on the cash and cash equivalents balance at year end and the Company's commitments, the Company has adequate financial resources to cover its budgeted exploration and development programme and meet its other operational obligations as they fall due within the going concern period.

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

Notes to the Financial Statements

for the year ended 31 December 2022

22. Capital Commitments

At the balance sheet date there were capital commitments of £10.7m (2021: £881,481) relating to Pensacola drilling costs. The total net cost of drilling the Pensacola well is £12.8m of which £2.1m was paid during 2022. These amounts are contained within approved joint venture work programmes for 2023.

23. Share-Based Payments

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

Share options

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

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

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

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

34,000,000 options were granted during the year to 31 December 2022 under the scheme (2021: 34,000,000) and no options expired (2021: nil).

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

The Company recognised a total share-based payment expense of £384,502 for the year ended 31 December 2022 (2021: £160,322) 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	22 September 2021
Share Price	2.55p	2.05p
Exercise price	2.55p	2.05p
Expected Volatility	57.98%	71.77%
Risk Free Rate of Interest	1.7521%	0.4331%
Expected Dividend Yield	0.00%	0.00%
Expected Life	5.5-6.5 years	6.5 years
Number of options issued	34,000,000	34,000,000

Under the terms of the options granted during the year, 11,333,333 options will vest one year after the grant date. A further 11,333,333 options will vest 2 years after the grant date. The remaining 11,333,334 options will vest 3 years after the grant date.

Under the terms of the options granted during the prior year, 11,333,333 options will vest following the share price reaching 2.56p for 30 consecutive days at any time prior to expiry of the options, 10 years from the grant date, but no earlier than three years after the grant date. A further 11,333,333 options will vest following the share price reaching 3.07p for 30 consecutive days at any time prior to expiry of the options, 10 years from the grant date, but no earlier than three years after the grant date. The remaining 11,333,334 options will vest following the share price reaching 3.58p for 30 consecutive days at any time prior to expiry of the options, 10 years from the grant date, but no earlier than three years after the grant date.

Notes to the Financial Statements

for the year ended 31 December 2022

23. Share-Based Payments (continued)

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 2022 and three years, four years and five years from grant date 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 2022	Number of options	WAEP P
Outstanding at the beginning of the year	128,840,450	2.16
Issued	34,000,000	2.55
Outstanding at the end of the year	162,840,450	2.24
Number exercisable at 31 December 2022	45,341,524	2.26
Year ended December 2021	Number of options	WAEP P
Outstanding at the beginning of the year	94,840,450	2.19
Issued	34,000,000	2.05
Outstanding at the end of the year	128,840,450	2.16
Number exercisable at 31 December 2021	22,941,942	2.54

The weighted average remaining contractual life of options outstanding as at 31 December 2022 was 6.8 years (2021: 7.0 years). The range of exercise prices relating to options outstanding at 31 December 2022 was 1.33p to 8.0p (2021: 1.33p to 8.0p).

24. Control

The Company is not controlled by any other party.

25. Subsequent Events

Peter Nicol, a Non-Executive Director of the Company, purchased 1,000,000 ordinary shares of 0.5 pence per share on 15 February 2023 at a price of 2.60 pence per share, which represented an amount of £26,000.00.

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)

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S M McLeod
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