

## Corporate

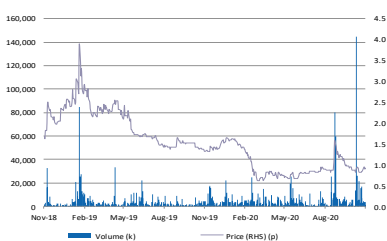
 Current price **0.925p**

 Sector **Oil & Gas**

 Code **DELT.L**

 AIM **AIM**

### Share Performance



	1m	3m	12m
— DELT.L	5.7%	5.7%	-30.2%

Source: Thomson Reuters, Allenby Capital

### Share Data

 Market Cap (£m) **13.0**

 Shares in issue (m) **1,406**

52 weeks	High	Low
	1.65	0.625

 Financial year end **30 December**

Source: Company Data, Allenby Capital

### Key Shareholders

 IPGL (Michael Spencer) **16.8%**

 Canaccord Genuity **9.5%**

 Hargreaves Lansdown **8.2%**

 Janus Henderson **6.7%**

 Richard Sneller **5.1%**

 James Caird Asset Man. **4.3%**

Source: Company Data, Allenby Capital

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## Deltic Energy plc (DELT.L)

### Prospectivity upgrade at P2428

Deltic Energy plc (DELT.L) has announced a significant upgrade to the prospectivity of licence P2428 in the prolific Carboniferous/Zechstein fairway towards the northern margin of the Southern North Sea (SNS) gas basin. The upgrade follows a programme to reprocess legacy 2-D seismic using modern techniques which resulted in greatly improved data quality. The exercise has resulted in the upgrading of the original Cupertino Scremerston lead to prospect status and the identification of previously unrecognised Rotliegend Leman sandstone and Zechstein reef prospects. We believe the P2428 prospectivity upgrade is significant in two ways. Firstly, it is another manifestation of Deltic's technical prowess and secondly it provides new drilling opportunities in line with its 'conveyor belt' exploration strategy. Deltic has indicated it intends commencing the farm-out of Cupertino imminently.

- Location:** P2428 lies approximately 100 km east of the Deltic/Shell Pensacola project and about 20km north of the Spirit Energy operated West Pegasus. The Carboniferous/Zechstein SE-NW trending fairway, in relatively close proximity to P2428, hosts some of the largest gas fields in the UK sector of the Southern North Sea (SNS). Key examples are the Neptune Energy operated Cygnus and Ineos operated Breagh fields.
- Cupertino prospect:** Cupertino is a four-way dip closed prospect in the Carboniferous Scremerston sandstone formation. This a producing reservoir elsewhere in the Carboniferous fairway including at the Breagh field. Deltic puts P50 prospective resources at a meaningful 379 bcf or 63mm boe. The GCOS (geological chances of success) is given as 26% which is normal at this stage of evaluation without the benefit of 3-D seismic.
- Richmond prospect:** Richmond overlays Cupertino and is primarily a Leman sandstone prospect with upside in the Carboniferous. Deltic believes that gas is possibly trapped in the Carboniferous by the BPU (Base Permian Unconformity) boundary structures. Interestingly, Deltic sees similarities between the three-way dip and fault structure of Richmond and the Cygnus field. Deltic's estimate of P50 prospective resources for Richmond is 243 bcf while the GCOS in the dominant Leman formation is given as 20%.
- Plymouth prospect:** Plymouth is a Zechstein reef play analogous to the Pensacola prospect. Deltic's estimate of the P50 prospective resources is 282 bcf while the GCOS is 19%. Further de-risking of this and the other prospects will require 3-D seismic acquisition.
- Resources and valuation:** Deltic's estimate of gross P50 un-risked prospective resources for P2428 is 904 bcf which would point to excellent development potential in a success case. After adjusting for GCOS (23%) and an assumed 50% farm-down, net risked resources for P2428 are 104bcf against 111bcf previously. The decline reflects the deletion of the Fell lead which had a high weighting in the earlier P2428 resource mix. Our net risked valuation across Deltic's asset portfolio is £191m or 13.6p/share. This is in line with that given previously. Deltic continues to trade at a hefty discount to our valuation.

### Year End: 31 December

(£'000)	2018	2019	2020E	2021E	2022E
EBITDA	(1,653)	(1589)	(1,403)	(1468)	(1,520)
NET CASH FLOW	409	12423	(1847)	(5871)	(6403)
NET CASH	1,426	13,849	12,002	6,132	(271)

Allenby Capital acts as Nomad &amp; Broker to Deltic Energy plc (DELT.L).

Please refer to the last page of this communication for all required disclosures and risk warnings.

**Fell formation:** The Carboniferous Fell sandstone formation was included in the original P2428 resource assessment as a lead. This has been removed from the latest assessment given that the 2-D seismic data quality is insufficiently good to define a prospect. Fell, however, remains a target. It will be revisited when 3-D seismic becomes available.

**Exhibit 1: Revised risked valuation**

Projects	Licence	Location/ geology	WI %	Gross un-risked		Net un-risked		GCOS %	Net risked		Valuation		Net risked	
				P50 resources bcfe	P50 resources mmboe	P50 resources bcfe	P50 resources mmboe		P50 resources bcfe	P50 resources mmboe	quotient \$/boe	\$m	£m	p/share
<b>Three leading projects</b>														
Pensacol	P2252	SNS PZ, Csst	30	310	52	93	16	20	19	3	5.0	15.5	11.9	0.8
Selene	P2437	SNS PLsst	50	346	58	173	29	70	121	20	5.0	100.9	77.6	5.5
Dewar	P2352	CNS Pal Fsst	50	237	40	119	20	40	47	8	5.0	39.5	30.4	2.2
<b>Total leading projects</b>				<b>893</b>	<b>149</b>	<b>385</b>	<b>64</b>		<b>187</b>	<b>31</b>		<b>155.9</b>	<b>119.9</b>	<b>8.5</b>
<b>Other projects</b>														
Other	P2252	SNS PZ, Csst	30	213	36	64	11	44	28	5	2.0	9.3	7.2	0.5
Other	P2437	SNS PLsst	50	95	16	48	8	43	21	3	2.0	6.9	5.3	0.4
Other	P2424	SNS Tr, C sst	50	656	109	328	55	32	105	17	2.0	35.0	26.9	1.9
Other	P2428	SNS Csst, PLsst, PZ	50	904	151	452	75	23	104	17	2.0	34.7	26.7	1.9
Other	P2435	SNS PLsst	25	135	23	34	6	54	18	3	2.0	6.1	4.7	0.3
<b>Total</b>				<b>2003</b>	<b>334</b>	<b>925</b>	<b>154</b>		<b>276</b>	<b>46</b>		<b>91.9</b>	<b>70.7</b>	<b>5.0</b>
<b>Total all licences</b>				<b>2896</b>	<b>483</b>	<b>1310</b>	<b>218</b>		<b>463</b>	<b>77</b>		<b>247.8</b>	<b>190.6</b>	<b>13.6</b>

Source: Company; Allenby Capital

Exchange rate: £1=\$1.30

Per share calculations based on 1405.96m shares in issue

Note: Working interests for P2252 and P2437 take into account the Shell farm-in

Working interests for P2352, P2424 and P2428 assume a farm-down from 100%

Working interests for P2352, P2424 and P2428 assume a farm-down from 100%

Working interest for P2435 is the actual status as of November 2020.

SNS is Southern North Sea, CNS is Central North Sea, PZ is Permian Zechstein

Csst is Carboniferous sandstone; PLsst is Permian Leman sandstone; Pal Fsst is Paleocene Forties sandstone; Trsst is Triassic sandstone

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