

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

Deltic Energy Plc ("Deltic" or "the Company")

**Statement by Independent Oil and Gas plc
End of Offer Period**

Deltic Energy Plc, the AIM quoted natural resources investing company with a high impact exploration and appraisal portfolio focused on the Southern and Central North Sea, notes the announcement made by Independent Oil and Gas plc ("IOG") stating that IOG does not intend to make an offer for Deltic. Deltic is therefore no longer deemed to be in an "offer period", as defined in the City Code on Takeovers and Mergers.

The Board of Deltic received an initial approach from IOG in late August 2020 regarding a proposal to effect an all share merger of IOG and Deltic (the "Initial Proposed Merger"). The terms of the Initial Proposed Merger implied an offer value at that time which was less than Deltic's cash balance and as such placed no immediate value on Deltic's significant portfolio of non-cash assets, not least its interests in Pensacola and Selene, its two most advanced prospects in which it is partnered to drill with Shell and where Deltic benefits from a significant carry on each. This initial approach from IOG made reference to a possible mechanism for further value to accrue to Deltic shareholders, linked to commercial success at Pensacola only, but did not include any detail as to the quantum or structure of this mechanism.

The Board reviewed the terms of the Initial Proposed Merger with its advisers and considered that the terms materially undervalued Deltic, and it was rejected on 2 September 2020.

The Board of Deltic received a further proposal from IOG on 25 September 2020, with amended terms for a proposed all share merger of the two companies (the "Amended Proposed Merger"). Whilst the terms represented an improvement on those contained in the Initial Proposed Merger, the terms implied a discount of greater than ten per cent. to the market value of Deltic's ordinary shares based on the closing mid-market price of a Deltic and IOG ordinary share on 24 September 2020, the day prior to the date on which the Amended Proposed Merger was received. The Amended Proposed Merger terms included a contingent value right proposal ("CVR Proposal") whereby additional value could potentially accrue to Deltic shareholders subject to Field Development Plan approval and first gas on Deltic's Pensacola and Selene prospects. However, under the terms of the CVR Proposal, the maximum value which could accrue to Deltic shareholders in the event that first gas was achieved on each of Pensacola and Selene was limited to £2 million per prospect, equivalent to only 0.14 pence per ordinary share in the Company for each of Pensacola and Selene.

The Board therefore decided that the Amended Proposed Merger was not in the best interests of Deltic shareholders and it should therefore be rejected. In coming to this decision, the Board considered a range of factors and risks associated with the Amended Proposed Merger and concluded that the terms continued to materially undervalue Deltic and its portfolio of assets, which had been further enhanced following the award of six additional licences in the UK's 32nd Licensing Round which was announced on 3 September 2020.

IOG's announcement on 11 September 2020 is the second time a company has made an announcement regarding a possible offer for Company in recent months and in both cases the Board has concluded the offers have materially undervalued the Company. During this latest offer period,

the Company had discussions with certain of its key shareholders who expressed their continued support for the Company.

The Company continues to focus on developing its recently expanded portfolio of assets and strengthening its strategic position in the Southern North Sea gas basin. The Shell-Deltic partnership remains on track and committed to meeting the licence terms of the Company's Pensacola prospect, with drilling expected in the second half of 2021.

The Company also recently reported a significant upgrade to the prospectivity and a reduction in risk associated with the Selene Prospect and is focussed on recoverable volumes, economics and well design work required to support the well investment decision, with the well expected to be drilled in 2022.

Importantly, the Company remains fully funded for the drilling of these two wells with Shell, with success on either being transformational for the Company.

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