

4 June 2020

**Cluff Natural Resources Plc ('Cluff' or 'the Company')**  
**AGM Statement, and Operational and Corporate Update**

Cluff Natural Resources Plc, the AIM quoted natural resources investing company with a high impact exploration and appraisal portfolio focused on the Southern and Central North Sea gas basin, is pleased to provide an operational and corporate update in relation to its portfolio of UK exploration licences ahead of its Annual General Meeting ("AGM") at 10.30 a.m. today.

**Highlights**

- Shell and Cluff are fully committed to drilling Pensacola and Selene prospects, with drilling anticipated to commence in H2 2021:
  - Pensacola is estimated to contain P50 prospective resources of 309 Billion Cubic Feet ("BCF") of gas, with nearby infrastructure
  - Selene is estimated to contain P50 prospective resources of 291 BCF of gas in close proximity to infrastructure
- The exploration and development team continues to work on existing projects, which have already attracted encouraging early interest from industry peers:
  - The Company is seeking to begin the farm-out process on a further two of its licences in the second half of 2020
- The Company has applied for multiple licences in the UK 32<sup>nd</sup> offshore licensing round, with results expected this summer:
  - All of the applications have been made solely by Cluff, apart from one which has been made jointly with an established international operator
- The Company remains in a strong financial position with cash of £13.2m as at 31 March 2020, resulting in the Company being fully funded for its planned drilling operations
- The Company has reviewed all aspects of its business and enacted a number of cost saving initiatives that will result in significant cost reductions, to retain the Company's strong financial position
- The Company will review opportunities, including the potential to acquire cash generative production, as the industry adjusts to the lower commodity price environment and operators review their strategy and portfolios
- Subject to shareholder approval, the Company has proposed to change its name to Deltic Energy Plc, to reflect the transition into a more operationally focused phase

**Commenting, CEO Graham Swindells, said:**

"Despite the major impact of Covid-19 on our industry, we have continued to progress our core gas projects. We are delighted that Shell remains committed to drilling both the Pensacola and Selene wells and we remain fully funded for our share of both wells. We are equally encouraged by the level of early interest in our other assets, in particular the Cupertino licence in the Southern North Sea and

we also look forward to the results of the 32<sup>nd</sup> Licensing Round in the summer. In the meantime, we believe that current market conditions will further reduce operating costs and may present value accretive opportunities which, with a strong balance sheet and no debt, we look forward to pursuing.”

## **Operational**

### **Covid-19**

As an exploration focussed business, the Company is fortunate that it has no direct financial exposure to the disruption caused by Covid-19 and current low commodity prices. As a result the practical impact on Cluff has, to date, been limited. The team continues to work very effectively on all projects, and its partners and seismic reprocessing contractors have also adapted to working remotely. Accordingly, the workstreams over which the Company has direct control are progressing in line with management’s expectations.

### **P2252 – Pensacola (Cluff 30%, Shell operator with 70%)**

The ongoing processing of new 3D seismic, acquired by Shell over the Pensacola prospect and legacy seismic data, remain on track, with Shell delivering an initial pre-stack time migrated (pre-STM) seismic volume in April 2020 with a full suite of final products due for delivery in August 2020.

Based on this early review of the data it is considered likely that a preliminary pre-stack depth migrated volume, due for delivery towards the end of June 2020, will be of sufficient quality to allow the commencement of the various subsurface workflows to proceed towards making a decision on a firm well commitment. Shell and Cluff are confident they can meet the timescales defined by the UK Oil and Gas Authority (‘OGA’) in relation to the existing contingent well commitment as set out in the licence agreements, and an exploration well is anticipated to be drilled in H2 2021.

Cluff remains fully carried through the work programme and for all associated licence costs by Shell until the earlier of 31 December 2020 or the date on which a well investment decision has been confirmed and is fully funded for its net share of drilling costs.

The Pensacola prospect contains estimated unaudited P50 recoverable prospective resources of 309 BCF (approximately 50 million barrels of oil equivalent) in a Zechstein structure, which appears analogous to the recent Darach and West Newton discoveries. A number of potential commercialisation options exist via the existing Breagh infrastructure or a new pipeline to Teesside. Gas has already been proven in the Zechstein on block in the three wells previously drilled to test the Lytham-Fairhaven structure.

### **P2437 – Selene (Cluff 50%, Shell 50%)**

After a period of intensive technical work undertaken jointly by Shell and Cluff, the Joint Venture is approaching the clearance of all outstanding technical milestones and progressing towards a well investment decision. Both Shell and Cluff remain committed to drilling the Selene prospect, however in light of the current investment environment it is anticipated the Selene well will now be drilled in 2022.

P2437 contains unaudited P50 prospective resources estimated at 291 BCF (or approximately 50 million barrels of oil equivalent). The Selene prospect is considered low risk with an estimated Chance of Success of 39%. A number of other smaller prospects have also been identified on the block which will be evaluated in due course. The prospect is located approximately 20 kilometres from Shell-operated infrastructure associated with the Barque gas field, which ultimately feeds the Bacton gas processing plant also operated by Shell.

#### **P2428 – Cupertino (Cluff 100%)**

The Company's technical team continues to mature a number of prospects which have been identified via the legacy 2D data which was reprocessed by Cluff in the second half of 2019. The Company believes the licence has multi-TCF potential and the initial focus is on a number of potential carbonate reefs in the Zechstein, which are believed to be analogous to the Pensacola prospect and the Darach and Crosgan discoveries which are located a few blocks to the west. Further prospectivity exists in Carboniferous sediments which sub-crop the base-Permian unconformity (BPU) in a similar fashion to a number of discoveries slightly further south in the play fairway and the overlying Lemna Sandstone.

This area has already attracted significant attention from our industry peers and a number of parties have requested an early review of the prospectivity in this area and have entered into non-disclosure agreements to allow those reviews to take place. Accordingly, the Company is planning to commence a formal farm-out process in relation to this licence during the second half of 2020.

#### **P2424 – Cortez (Cluff 100%)**

Reprocessing of legacy 2D seismic data over Cortez, which satisfies the final outstanding firm work commitment under the terms of the licence, was commenced in April 2020 with results expected in early September 2020. Should the interpretation of the reprocessed data support the prospectivity identified during the licence application process, then it is likely that the Company would seek to commence a farm-out process in late 2020.

With the exception of OGA licence fees and levies, other expenditure on both the Cupertino and Cortez licences will be restricted to the costs of the Company's in-house technical team for seismic interpretation and prospect maturation.

#### **P2537 – Dewar (Cluff 100%)**

As previously announced, while the farm out process remains live and the Company remains engaged with a number of established Operators in relation to the Dewar oil prospect in the Central North Sea, it is considered unlikely that a commercially attractive farm-out deal will be reached in the current oil price environment. Given the location and commercially attractive development options which exist for the Dewar prospect, the Board believes that there will be significant interest in this asset when the oil price improves.

Having fully met its work commitments under the licence's terms, the Company does not anticipate incurring any additional expenditure on Dewar other than nominal OGA licence fees and levies for the next 12 months. In the meantime, the Company will continue to engage with parties who have and continue to express interest in Dewar with a view to drilling this prospect.

**P2435 – Blackadder (Cluff 25%)****P2384 – Manhattan (Cluff 100%)**

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

**32<sup>nd</sup> Licensing Round**

Following its applications in November 2019, the Company has completed its interview process with the OGA in relation to its applications in the 32<sup>nd</sup> UK Offshore Licensing Round. All of the applications have been made solely by Cluff, with the exception of one which has been made jointly with an established international operator.

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

The Board believes that the UK approach to offshore licensing will continue to provide a low-cost opportunity to significantly enhance and diversify the Company's portfolio of exploration licences.

Latest guidance from the OGA states that licence awards are expected to be announced in summer 2020.

**Corporate****Cash preservation**

The Company has a strong balance sheet and with cash of £13.2m as at 31 March 2020 it remains funded for its operations (including its share of two exploration wells). The Company has always maintained a strict financial discipline with low overheads. However, Cluff has nonetheless taken decisive steps to further preserve cash while still progressing its core assets. In light of the current commodity price levels and the effect of Covid-19 on its operating environment, the Company has completed a review of all aspects of its business and made a number of significant changes which will improve efficiencies and result in significant cost reductions including:

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

- Reduction of budgeted costs associated with remaining staff
- Exercise of a break clause on its office and relocation to smaller, lower cost space (with effect from 31 May 2020)

This reduction in costs means that total cash expenditure (including investment in licences) in 2020 is now expected to be less than £2m (representing a 25% saving against the 2020 budget, excluding planned drilling expenditure), while still ensuring the Company continues to progress its core assets.

Consequently, the Company is now fully funded, including its share of two exploration wells, until mid-2022.

### **Other Opportunities**

While the Company remains completely committed to its UK exploration focussed strategy and the preservation of a strong balance sheet, the Board anticipates that the current commodity price environment will create a number of potential opportunities, ranging from reduced exploration and drilling costs and the implementation of alternative commercial models for supporting drilling activity, to the disposal by larger operators of producing assets or entire packages of assets.

The Company proposes to actively identify opportunities, including stakes in producing assets across the North Sea which have the potential to deliver significant free cash flow, and potentially contribute to drilling costs, as commodity prices recover. Any such acquisitions are not expected to impact Cluff's ability to fund its net share of the Pensacola and Selene exploration wells which remain the core strategic focus for the Company.

While it cannot be guaranteed that a successful transaction will ultimately be completed, the current situation provides a window of opportunity that the Company will look to capitalise on as appropriate in order to enhance shareholder value.

### **Change of name to Deltic Energy Plc**

Subject to shareholder approval at today's AGM, the Company's name will be changed to Deltic Energy Plc. The change of name reflects recent progress, changes and symbolises the transition in the Company's main investments into a more operational phase.

**\*\*ENDS\*\***

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### Notes to Editors

Cluff Natural Resources is a natural resources investing company listed on the AIM market on the London Stock Exchange (CLNR.L) with a high impact portfolio of operated and, following a farm-out to Shell U.K. Limited in February 2019, non-operated exploration and appraisal assets located within the UKCS's mature hydrocarbon basins. The Company's diversified portfolio contains near term, infrastructure focused oil and gas exploration drilling opportunities in both the Central and Southern North Sea together with larger, high impact opportunities in new play types along the northern margin of the Southern Gas Basin.

The portfolio has a significant P50 prospective resource base in excess of 2.4 TCF (gross, gas equivalent) across a number of prospects with chances of success ranging from 9 to 49%.

Cluff Natural Resources is focused on extracting much needed gas from the North Sea to supply the UK's energy mix which is currently heavily reliant on foreign supply. Following a successful farm-out of Licence P2252 and P2437 to Shell U.K. Limited the Company is seeking to repeat this farm-out success with its other licences awarded in the 30<sup>th</sup> Offshore Licencing Round including licence P2352 which contains the Dewar oil prospect, P2428 containing Cupertino and P2424 containing Cortez.

The Company has a strong institutional investor base and a portfolio which offers a unique opportunity of high quality, low risk and low-cost drilling prospects with potentially high impact results in an area where recent exploration has targeted both mature and new plays and has resulted in large discoveries.

### Qualified Person

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

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

### **Glossary of Technical Terms**

BCF:	Billion Cubic Feet.
Chance of Success (GCoS):	for prospective resources, means the chance or probability of discovering hydrocarbons in sufficient quantity for them to be tested to the surface. This, then, is the chance or probability of the prospective resource maturing into a contingent resource. Prospective resources have both an associated chance of discovery (geological chance of success) and a chance of development (economic, regulatory, market and facility, corporate commitment and political risks). The chance of commerciality is the product of these two risk components. These estimates have been risked for chance of discovery but not for chance of development.
GIIP:	Gas Initially In Place.
P50 resource:	reflects a volume estimate that, assuming the accumulation is developed, there is a 50% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a median or best case estimate of resource.
PRMS:	Petroleum Resources Management System (2007).
Prospective Resources:	Are estimated volumes associated with undiscovered accumulations. These represent quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from oil and gas deposits identified on the basis of indirect evidence but which have not yet been drilled.
TCF:	Trillion Cubic Feet.