Q & A – June 2020

Q1: How is coronavirus affecting Deltic Energy?

A: As an exploration focussed business, Deltic is fortunate in that it has no direct financial exposure to the disruption caused by COVID-19 or current low commodity prices. As a largely office-based Company the practical impact has been limited. The team continues to work very effectively, and our partners and seismic reprocessing contractors have also adapted to working remotely. Accordingly, the workstreams over which Deltic has direct control are progressing in line with management's expectations.

Q2: Is there any update on the new seismic survey on Pensacola?

A: Shell (the Operator) is currently processing the legacy and new 3D surveys over the Pensacola prospect. As previously guided, this process will be finished in August 2020. An initial pre-Stack Depth Migrated (pre-SDM) volume will be delivered towards the end of June 2020 and it is anticipated that this volume will be of sufficient quality to allow Shell to start the various interpretation work flows required to mature the prospect towards drilling.

Early indications from the processing carried out are that the data is of high quality and that imaging at the reservoir level is expected to be of significantly higher quality than the available legacy data. This may allow for a revision of both the Pensacola prospect's resources and the geological chance of success, which is currently estimated at 20%. The new datasets will also allow a more in-depth appraisal of the Lytham-Fairhaven discovery which represents significant additional upside potential on the licence.

The Deltic and Shell Joint Venture remains committed to the licence timelines agreed with the OGA which sees the contingent well commitment becoming firm at the end of November 2020. Deltic is fully carried through to the earlier of a well investment decision or 31st December 2020.

It is anticipated that an exploration well will be drilled on the Pensacola prospect in the second half of 2021.

Q3: What is happening on Selene with regards to the Well Investment Decision by Shell?

A: Over the last year we have worked intensely with Shell on the geological assessment and QA/QC process of the legacy datasets upon which the Company's original interpretation was undertaken. Although this has undoubtedly taken longer than anticipated, the outcome of this subsurface work has been positive and the Deltic and

Shell Joint Venture is approaching the clearance of all outstanding technical milestones and progressing towards a well investment decision.

Both parties remain committed to drilling the Selene prospect, however the exact timing of the well is yet to be confirmed due to various scheduling, permitting and operational issues. In light of the current investment environment it is anticipated the Selene well will now be drilled in 2022.

Q4: What steps is the Company taking to reduce costs in the current low commodity / COVID-19 environment?

A: The Company has a strong balance sheet and remains funded for its operations (including its share of two exploration wells) to mid-2022. The Company has always maintained a strict financial discipline with low overheads, however, the Company has taken decisive steps to further preserve cash while still progressing its core assets. In light of the current commodity price and COVID-19 affected 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 a focus 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 current office and relocation to a smaller and less expensive 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.

Looking further ahead, the Company anticipates that the cost of operating in the North Sea will continue to adjust to lower commodity prices and the costs of some of the future technical licence work may ultimately be less than originally anticipated. However, modern exploration is a data, technology and skilled time intensive process and the already lean nature of the business, even prior to the current downturn, means there is limited scope for more significant cuts without affecting the ability of the Company to execute its core strategy.

Q5: Why has the Company changed its name at this time?

A: The re-naming of Cluff Natural Resources Plc to Deltic Energy Plc has been considered since the retirement of the Company's founder. It reflects the significant progression of the Company and its enhanced profile within the industry following recent achievements. The decision to change name was ultimately made following feedback from a number of the Company's key shareholders. The Company is also aware of the potential for confusion with other private companies which bear the Cluff name and with which the Company has no association.

The timing of the name change was dictated by the requirement to obtain shareholder approval for the name change and the Company's conclusion that the most time and cost effective route was to include the name change as part of the 2020 Annual General Meeting, as opposed to convening a separate General Meeting.

Q6: Does the Company have any association with Cluff Energy Africa Ltd?

A: No, Deltic has no connection, nor any commercial relationship with Cluff Energy Africa Ltd.

Q7: Why did the Company undertake the £15m fund raising in June 2019 in advance of actual requirements?

A: The two farm-outs with Shell created a very obvious requirement for additional capital to allow Deltic to demonstrate its ability to meet its share of the planned wells with Shell, as well as a pre-existing requirement for additional funds for general working capital and investment in existing and new licences.

The Company also sought to protect itself and its shareholders from future volatility and tightening of access to capital. The successful raise provided our partners at Shell with confidence that we were committed to funding our share of the planned wells and also fully funded Deltic's core activities, removing the necessity for further smaller equity raises for working capital purposes.

Q8: How is the Company responding to the increasing importance of ESG issues within the industry?

A: The Company is a member of a number of industry bodies including Oil and Gas Independents Association, Brindex and Oil and Gas UK (OGUK) and fully supports OGUK's Roadmap 2035 project and the UK's legally binding 'Net Zero 2050' pledge.

The role of hydrocarbons in a Net Zero environment has been highlighted by the Committee for Climate Change, which noted in its report that gas demand in 2050 is still expected to be approximately 70% of current levels and domestic gas production has a significantly lower carbon footprint, which is approximately half that of imported LNG.

Q9: Does the Company have plans to make acquisitions and/or acquire production assets in the UK or elsewhere?

A: 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 assess 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 the Company'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.

Q10: Why employ a CFO at this time and what do they add to the Company?

A**:** Sarah is a Chartered Accountant with nearly 20 years of North Sea oil industry experience, the majority of which was spent with established E&P Operators such as ConocoPhillips and Maersk Oil. As such, in addition to financial and accounting experience, Sarah also brings a wealth of operational, strategic and commercial experience which will be crucial in the execution of the Company's UK focussed strategy. The CFO role had been vacant for almost two years prior to Sarah joining in January 2020. Since taking up the role she has had an instant positive impact across the business including rationalising the finance function, implementation of robust partner cost recovery procedures and providing invaluable commercial and financial support when screening and assessing investment opportunities.

Q11: What is the significance of the UK's 32nd Licensing Round for the Company?

A: The Board believes that the UK's approach to offshore licencing will continue to provide a low-cost opportunity to significantly enhance and diversify the Company's portfolio of exploration licences. The Company has applied for a number of attractive blocks in the Southern and Central North Sea with all of the applications being made on a 100% basis, with the exception of one which has been made jointly with an established international operator.

The OGA has indicated that licence awards will be announced in summer 2020.

Q12: Will future licence awards result in additional funds being required?

A: The licences which Deltic has applied for will come with nominal licence fees and relatively limited committed work programmes which are designed to mature the assets towards farm-out and drilling. Some of these work programmes will require the purchase and reprocessing of legacy datasets. Much of the required work will be completed by Deltic's in-house technical team. The Company also has significant discretion around the timing of those work programmes which are only required to be completed in the initial three or four year licence period.

Q13: What is happening on the Dewar farm-out Process?

A: The UK Continental Shelf (UKCS) farm-out market remains challenging, particularly following COVID-19 and the drop in oil prices. The farm-out market is additionally constrained by a number of factors, including continuing price volatility, restricted resources (both financial and personnel) in even the biggest players' new business teams and the ongoing OGA 32nd round awards process.

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. Nonetheless, the farm-out process remains live and we continue to discuss the opportunity with a number of established North Sea operators. As well as continuing those discussions, we are considering innovative ways to progress the Dewar prospect towards drilling. We will update the market as and when material progress has been made.

Q14: How do you see the North Sea coming out of the coronavirus pandemic?

A: Our licenses are strategically located in close proximity to existing infrastructure which, in a successful field development, could be tied in easily or incorporated as part of other developments. We believe that this means that the relevance of any discoveries on our licenses will remain, regardless of the health of the North Sea.

It is our belief that domestic hydrocarbons in a jurisdiction as well governed as the North Sea will remain critical to the future energy dynamics required to keep the UK supplied.

Q15: Is natural gas greener and more environmentally friendly than LNG?

A: In the UK, natural gas is produced under some of the strictest environmental legislation in the world. Recent studies by the Oil and Gas Authority (OGA) and Department for Business Energy and Industrial Strategy (BEIS) have indicated that UKCS produced natural gas creates less than half the greenhouse gas emissions of imported LNG.

Q16: Is the way forward natural gas? What about the production of hydrogen?

A. While hydrogen is increasingly seen as a viable low carbon alternative to natural gas, the UK's infrastructure is not yet ready to switch from natural gas to hydrogen. In the interim, Deltic hopes to contribute towards reducing the UK's carbon footprint by production of domestic natural gas, which has half the carbon emissions of imported LNG thus is beneficial to the UK environment as well as economy. When the UK is ready to use hydrogen, Deltic hopes to have identified and discovered natural gas resources to contribute towards providing the basic feedstock for hydrogen production.

The production of hydrogen from natural gas, linked with carbon capture and storage (CCS), is considered to be the most likely commercially viable method of hydrogen production. Other methods such as production of hydrogen from water via electrolysis require vast amounts of electricity and are unlikely to be viable with current technologies.