CABOT
ENERGY

93-95 Gloucester Place
London • W1U 6JQ
Registered in England & Wales No 02933545

19 June 2020

Dear shareholder

Financial and operational update for Cabot Energy Ltd (the "Company") and its subsidiaries (together the "Group")

I would like to provide an update on the Group's preliminary unaudited financial results for the year ended 31 December 2019, its current financial position, its operations and funding requirements in light of the rapid economic impact of the Covid-19 pandemic. However, I am pleased to inform you that we currently have no reported cases of the Covid-19 virus amongst our staff across all locations thanks in part to good practices internally and with partners, and in part due to good fortune.

2019 FINANCIAL PERFORMANCE

The Group's revenues decreased by 39% year-on-year from US$12.2 million in 2018 to US$7.4 million in 2019, driven by lower production as a result of no new investment by the Group until December 2019 together with lower oil prices. Annual gross oil production decreased by 37% to approximately 162,000 barrels ("**bbls**") or 444 barrels of oil per day ("**bopd**") (2018: approx. 256,000 bbls or 703 bopd). Both the West Texas Intermediate ("**WTI**") light crude benchmark price and the Group's Edmonton sales price (discounted to WTI and stated after transportation and marketing costs) decreased on average year-on-year from US$65/bbl to US$57/bbl and from US$47/bbl to US$45/bbl respectively.

Production costs (excluding royalties and repairs) increased from $20.0/bbl in 2018 to $24.6/bbl in 2019. Excluding the depletion and amortization expense for the Canadian oil & gas Property Plant & Equipment, the Group's gross margin and netback (crude sales price less production costs) decreased year-on-year from US$3.9 million and US$15/bbl in 2018 to US$2.2 million andUS$13/bbl in 2019. This decremental performance reflected the lower crude sales prices and reduced economic utilisation of fixed costs of production as a result of the lower production levels, despite systematic efforts on reducing variable costs.

Group loss for the year decreased from US$6.1 million in 2018 to US$4.7 million in 2019. Group earnings before interest, taxation, , depreciation and amortization ("**EBITDA**") improved from a loss of US$2.4 million in 2018 to a loss of US$1.7 million in 2019. Adjusted EBITDA, adjusting for non-recurring and exceptional items, decreased from a profit of US$0.1 million in 2018 to a loss of US$1.4 million in 2019.

The Group's net current liabilities at 31 December 2019 were US$3.0 million (2018: US$4.5 million), non-current assets were US$70.1 million (2018: US$69.2 million) and non-current liabilities were US$14.0 million (2018: US$12.7 million). The group's total equity at 31 December 2019 was US$53.1 million (2018: US$51.9 million). The Group cash balance at 31 December 2019 was US$0.3m (2018: US$0.9 million).

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OPERATIONS

At the end of 2019 the Company's wholly-owned Canadian subsidiary, Cabot Energy Inc., had completed a workover program consisting of 19 well workovers, which resulted in 180 bopd restored production at a final cost of US$1.1 million (within 7% of the budgeted cost).

In December 2019 the Company entered into a US$2.5 million fully committed loan facility with the Company's majority shareholder High Power Petroleum LLC ("**H2P**"). The loan facility, which was approved at the time by the Company's independent directors, was used to fund the completed workover program and provide the Group with additional working capital. The loan was fully drawn down by March 2020.

On 13 February 2020 the Company requested your consent to enter into a C$9 million loan facility agreement to fund a 2020 capital program consisting of eight new wells. However, due to the rapid economic impact of the Covid-19 pandemic and the resulting deterioration in crude oil prices, further exacerbated by the widening of the Edmonton light crude price discount to WTI and lack of physical pricing hedges available in the market, the lender chose not to complete the transaction due to the forward-looking covenant breach and increased non-repayment risk. The Board, therefore, decided to terminate the remaining planned six new wells upon completing the second new well, to curtail its financial commitments. Both new wells have been production tested with rates and petrophysical properties found to be above that expected pre-drilling. Such has been the extent of the demand destruction and disruption due to COVID-19 in North America in April, the crude marketeer could not even commit to market all of Cabot Energy's production potential for June, and therefore the two new well's tie-in to the production system were deferred until oil demand and prices stabilise, and the Group's financial situation permits the commitment to that expenditure.

In order to conserve cash and protect the business from the potential of negative wellhead oil prices consuming more cash during this period of unprecedented market conditions, we have also decided to reduce current production to approximately 225 bopd. By shutting in the highest operating cost production wells, Cabot Energy Inc. expects to save 80% of the associated variable operating cash costs. The fixed operating cost base is also being reduced to safely support only critical production activities and ongoing land re-acquisition, with the health and wellbeing of our employees and operating partners constantly at the forefront of our planning. As a result, the workforce in Canada has been reduced to just five field operations personnel and three office staff.

FUNDING

In addition to cost saving measures, Cabot Energy Inc. has successfully applied for and received minor assistance under certain Alberta provincial government business support and payroll saving programmes. We are also actively investigating Canadian government loan schemes; however, their availability remains uncertain at this time.

Despite these actions already taken, at current oil prices the Group's Canada cashflows alone are insufficient to meet the creditors outstanding and, therefore, the Group must find additional sources of short-term finance whilst awaiting the outcome of potential government financial support. The Board has also engaged Grant Thornton in Canada to engage with the Canadian creditors in order to seek an orderly management of the payables during this period.

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FUNDING (continued)
The Company's majority shareholder H2P has offered a further loan facility on similar terms to the previous loan approved by the prior non-executive board in December 2019, updated for current market valuations and secured loan interest rates. The terms of the loan are more fully detailed in the enclosed Shareholder Consent Letter. I would be grateful if you could sign and return the Shareholder Consent Letter in accordance with the instructions set out therein at your earliest convenience.

Despite the potential to access further loan funding from H2P, shareholders should note that the loan facility is uncommitted. Together with the ongoing distressed short-term outlook for oil demand and prices the need to reach settlement with Canadian creditors on the management of payables, the Board believes that is material uncertainty as to the Group's ability to continue as a going concern.

The Board remains focussed on navigating the Group through these unprecedented times and I will keep you appraised as to the position and prospects of the Group when the Board has greater clarity.

I trust that you and your families remain safe in this COVID-19 environment.
Yours Sincerely,

Scott H Aitken
Director & Chief Executive Officer