

Cluff Natural Resources Plc / Index: AIM / Epic: CLNR / Sector: Natural Resources  
7 January 2016

**Cluff Natural Resources Plc ('CLNR' or 'the Company')**  
**Pre-close Update**

Cluff Natural Resources Plc, the AIM quoted natural resources investing company, is pleased to announce a pre-close update for the financial year to 31 December 2015:

In the course of the year, the Company has moved its primary focus from its Underground Coal Gasification ('UCG') assets (in particular the development of its Kincardine Project in Scotland) to developing its portfolio of five conventional oil and gas licences in the Southern North Sea. This was precipitated by the introduction of a moratorium on UCG in Scotland in October 2015 despite previous assurances the Company had received from the Scottish Government. The moratorium will remain in place, pending a government study and public consultation, which is expected to conclude in spring 2017. While the Company is confident that the evidence in relation to UCG will result in the moratorium being lifted, it has stopped all expenditure related to the Kincardine Project and is now focussing its attention outside of Scotland, in particular the North East of England, where the Company believes the political situation is more favourable with regards to UCG and considerable support exists for investment in energy and industry with a view to regeneration. CLNR has a total of nine UCG licences in the UK of which six are based in England and Wales and are therefore not subject to the moratorium.

The Company has however made significant positive progress in advancing its North Sea assets which were awarded in December 2014. In early 2015, the Company entered into a memorandum of understanding with Halliburton, one of the world's largest providers of products and services to the energy industry, to collaborate and accelerate the development of the Company's assets. This relationship has developed in the course of the year and Halliburton has provided an invaluable level of technical input into the Company's assets and continues to do so. This progress culminated in the publication of a Competent Persons Report and estimate of prospective resources which was announced in December 2015 and which demonstrated significant gas potential.

**Funding**

Further to the announcement on 12 October 2015, the Company is still owed £331,125, which was due in September 2015, from the subscriber for 7,791,188 shares in the Company's placing earlier in the year (the 'Placing'). The Company believes that it is now unlikely that the funds will be forthcoming and accordingly is considering its next course of action.

Despite this, early action to curtail major costs associated with the Company's UCG project at the Kincardine Project, coupled with an on-going discipline and focus on overall cost control, means that the Company was in fact in a stronger cash position at the 2015 year-end than anticipated at the time of the Placing. At 31 December 2015, the unaudited cash position of the Company was £1.1 million.

## **Outlook**

The Company will continue to focus on further maturing its technical understanding of its North Sea assets and position the business for the longer term. The Company has relatively low work commitments associated with its licences and no debt and therefore believes it is comparatively well positioned to prevail in this oil price environment and even benefit from opportunities arising as a result of the challenges currently being experienced in the sector.

The Company is already in the process of commencing the next phase of technical evaluation with a view to ultimately identifying drill targets. Marketing has started and attracting and securing one or more industry partners to fund forward work programmes, including the drilling of one or more wells, will become a key focus in 2016.

**Commenting, CLNR's Chairman and Chief Executive Algy Cluff said:** "2015 was a challenging year for the natural resources sector as a whole, however we were extremely pleased to be able to announce the completion of an independent assessment of the prospectivity of our portfolio of Southern North Sea licences which confirmed the excellent potential associated with previously acknowledged discoveries as well the significant upside that exists. We continue to work to develop our understanding of the potential of the Carboniferous and the Zechstein Carbonate plays we have identified while working on a detailed appraisal programme for the Lytham discovery to gather the missing data required to de-risk this potential future development.

"With no debt or major work commitments, CLNR is in a comparatively strong position to take advantage of opportunities which may arise given the challenging oil price environment. Our objective now is to complete the process of attracting the partners required to fully appraise the production potential of these exciting assets."

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