

Cluff Natural Resources Plc / Index: AIM / Epic: CLNR / Sector: Natural Resources
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Cluff Natural Resources Plc ('CLNR' or 'the Company')
Acquisition of North Sea Licences

Cluff Natural Resources, the natural resources investing company with gas assets in the Southern North Sea, is pleased to announce that, further to the announcement on 23 March 2016, it has signed a sale and purchase agreement (“SPA”) and exclusive option agreement (“Option”) with Verus Petroleum (CNS) Ltd and Verus Petroleum (SNS) Ltd (“Verus”) in relation to the acquisition of Verus’s equity stake in three traditional oil and gas licences located in the Central North Sea and the Moray Firth. These licences, two of which are effectively drill ready, are operated by The Parkmead Group (AIM:PMG).

Key Highlights

- Under the SPA the Company has agreed to acquire, subject to customary regulatory approvals, a 5% non-operated interest in UKCS licences P1944 (Block 14/20e) and P2156 (Block 15/11 & 16f) located in the Outer Moray Firth which contain the Fynn and Penny prospects located below a significant volume of previously discovered heavy oil.
- Under the Option, CLNR has been granted two exclusive options both of which are exercisable within a period of nine months following execution of the SPA. These options allow the Company to:
 - increase its equity position in Licences P1944 and P2156 to 25%; and
 - acquire a 25% interest in Licence P2082 (Blocks 30/12c, 13c, 17e & 18c) which is located in the Central North Sea and contains the Skerryvore exploration prospect.
- Based on significant subsurface work completed to date, it is estimated by the operator that the licences could contain approximately 400 million barrels of potentially recoverable oil (11 mmboe net to CLNR following completion of SPA and 100 mmboe net to CNLR in the event of exercise of the Options).
- The Fynn and Skerryvore prospects are effectively drill ready and it is expected that a well on each prospect would be drilled within the next 24 months in order to take advantage of the lower cost operating environment which currently prevails in the UKCS.
- The consideration payable under the SPA is £1. Upon exercise of an Option, the consideration payable will also be £1 each. In each case the Company will only be

liable for costs incurred after the Economic Date of 1 January 2016 in line with its equity position.

Commenting CNR’s Chairman and Chief Executive Algy Cluff said: “The acquisition of these high quality assets which come with a highly regarded operator in Parkmead, attractive geology, near term drilling opportunities and nearby infrastructure, provide the ideal cornerstone for building a significant new UK oil and gas company focussed on the North Sea. We believe the lower cost drilling environment in the North Sea, which we expect to prevail for the foreseeable future, provides us with an excellent opportunity to build and advance a substantial portfolio of exploration and appraisal assets. We look forward to working with Parkmead and our new partners to fully appraise the production potential of these exciting assets where exploration success on either would be truly transformational for the Company.”

Moray Firth Licences – P1944 (Block 14/20e) & P2156 (Block 15/11 & 16f)

Located in the Moray Firth, these licences contain proven oil at multiple levels including a very significant heavy oil discovery in the Tertiary T82, Beaully T50 and Mey Sandstones which extend outwith the licensed area. While not the primary exploration target on these licences, further data relating to the production potential of the heavy oil accumulations will be collected during future drilling operations in light of the development of similar heavy oil accumulations such as Kraken.

The deeper Jurassic Piper Sandstone, which is the primary target across the blocks, is a well understood reservoir and is the key producing formation for a large number of oilfields in the Moray Firth including the giant Piper and Tartan oilfields. Two distinct prospects, named Fynn and Penny, have been mapped at the Piper Sandstone level in adjacent structures. It is proposed that a well be drilled to further assess the Tertiary heavy oil and test the lower risk Fynn prospect in 2017.

Operator resource estimates for these two licence areas (if Option is exercised to take holding from 5% to 25%) are as follows:

Project	Age	Status	Equity Position	Gross On Block STOIP** (mmbo)	Net Contingent Resources** (mmbo)			COS
			*		P90	P50	P10	
			%	Mid (Low-High)				
T82	Tertiary	Discovery	25	1,093 (667 – 1,571)	11	23	42	n/a
T50	Tertiary	Discovery		425 (322 – 535)	6	11	19	
Mey Sst	Tertiary	Discovery		48 (43 – 52)	2	3	4	
Fynn –	Jurassic	Prospect		73 (41 – 103)	4	8	10	0.32

Piper Sst								
Penny – Piper Sst	Jurassic	Prospect		101 (50 – 186)	4	10	20	0.20

* Post exercising of option

** Derived from operator's internal estimates (assuming Option exercised to take holding from 5% to 25%).

Well design and engineering work is planned for 2016 with the aim of drilling the initial exploration well on the Fynn prospect during 2017.

Central North Sea - P2082 (Blocks 30/12c, 13c, 17e & 18c)

The Skerryvore prospect is located in the Central North Sea adjacent to a number of producing fields including Clyde, Fulmar and Orion as well as the Talbot discovery. The Skerryvore prospect contains a series of stacked reservoirs which have distinct amplitude anomalies. Reprocessed seismic data, AVO analysis and a revised interpretation of the prospect based on the 30/13-8 well drilled by Talisman have generated a high quality prospect which the Company believes to be one of the most attractive undrilled prospects in the Central North Sea.

The operator's internal estimate of prospective resources for the licence area (if the Company exercises its Option to acquire a 25% interest) is as follows:

Project	Status	Equity Position*	Net Prospective Resources** (mmboe)			COS
		%	P90	P50	P10	
Paleocene (Strat Model)	Prospect	25	4	6	9	0.25
Ekofisk	Prospect		3	5	7	0.24
Tor	Prospect		14	28	50	0.31
North	Lead		5	10	18	0.24
BCU	Lead				6	

* Post exercising of option

** Derived from operator's internal estimates (assuming Option to acquire 25% interest is exercised).

A site survey has been acquired across the prospect, which is drill ready pending completion of the well design.

Qualified Person's Statement:

Andrew Nunn, CLNR's Chief Operating Officer, has approved the information contained in this announcement. Mr Nunn is a Chartered Geologist.

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Glossary of Technical Terms

MMBOE: Millions of Barrels of Oil Equivalent

Contingent Resources: those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies

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.

P90 resource: reflects a volume estimate that, assuming the accumulation is developed, there is a 90% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a low estimate of resource.

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.

P10 resource: reflects a volume estimate that, assuming the accumulation is developed, there is a 10% probability that the quantities actually

recovered will equal or exceed the estimate. This is therefore a high estimate of resource.

STOIP: stock tank oil-initially-in-place