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Cluff Natural Resources Plc ('CLNR' or 'the Company')

Competent Persons Report on Licence P2248 & Portfolio Management Update

CLNR, the natural resources investing company, is pleased to announce a substantial increase in the prospective resources for its 100% held Licence P2248 (Block 43/11) ('the Licence') located in the Southern North Sea gas basin. This follows the completion of a technical evaluation and Competent Persons Report ('the Report') on the gas resources on the Licence by Xodus Group, an independent oil and gas consultancy firm.

Key Highlights

- Assessed the six most mature prospects on Licence P2248
- Gas Initially in Place (GIIP) on P2248, estimated in the range of 760 BCF to 7.2 TCF, with a Best Estimate GIIP of 2.66 TCF (Mean: 3.45TCF)
- Prospective Resources on P2248 estimated in the range of 480 BCF to 4.75 TCF with a P50 of 1.73 TCF (Mean: 2.26 TCF)
- Across the Company's total portfolio, aggregate Best Estimate GIIP and P50 prospective resource estimated to have increased to 4.8 TCF and 2.5 TCF respectively, not including a number of additional leads and prospects which have yet to be fully quantified
- Confirmation of extension of Promote period on P2248 for a further year (to 30 November 2017) has been granted from the OGA
- Supports commencement of formal farm-out process

Commenting CLNR's Chairman and Chief Executive Algy Cluff said:

"We are delighted to be able to confirm this very significant increase in the Company's prospective resource base following a thorough independent review. This work supplements the announcement on 30 September of the significant prospective resources for Licences P2253 and P2258. The Company has been working hard to quantify the potential of the licences we were awarded in the 28th Round and this endorsement of the significant exploration potential associated with proven and new play types on our Licence P2248 confirms our long held belief that the Southern Gas Basin still has a significant number of large and exciting prospects just waiting to be drilled. We now have a significant inventory of drilling targets across a range of play types and the key focus going forward is to attract the required partners and funding to ensure these prospects are fully appraised."

The key prospects assessed in the Report on Licence 2248 are summarised below:

Cadence Prospect (Scremerston & Fell)

- A large three way dip and fault bounded structure, the Cadence Prospect, with reservoir potential at multiple levels including the Scremerston and Fell Sandstone Formations with a Best Estimate GIIP of 1,282 BCF (Range 288 to 4,232 BCF) and unrisked P50 Prospective Resources of 769 BCF (Range 170 to 2,585 BCF).

Camden Prospect (Millstone Grit)

- Overlying the Cadence structure, the Yoredale and Millstone Grit formations subcrop against the Base Permian Unconformity creating a stratigraphic trap similar to those producing elsewhere in the Southern North Sea. This stratigraphic prospect, Camden, has a Best Estimate GIIP of 322 BCF (Range 120 BCF to 782 BCF) and P50 Prospective Resource of 160 BCF (Range 58 to 405 BCF).

Bassett, Bathurst & Beckett Prospects (Bunter Sandstone)

- A number of leads within the Bunter Sandstone, based on a new previously undrilled play, are also assessed within the Report. These three leads have a combined Best Estimate GIIP of 1,058 BCF (Range 352 to 2,173 BCF) and P50 Prospective Resources of 806 BCF (Range 252 to 1,766 BCF).

The full results of the CPR Report are summarised below:

Licence Ref:	CLNR Equity	Project ID	PRMS Status	GIIP (BCF)*			
				Low	Best	Mean**	High
P2248	100%	Cadence Scremerston	Prospect	101	274	337	658
		Cadence Fell Sandstone	Prospect	187	1008	1523	3574
		Camden Millstone Grit	Prospect	120	322	401	782
		Bassett Bunter Sst	Prospect	49	169	195	374
		Bathurst Bunter Sst	Prospect	169	357	404	704
		Beckett Bunter Sst	Prospect	134	532	586	1095
TOTAL				760	2662	3446	7187

*Net on block GIIP

Licence	CLNR	Project ID	PRMS	Prospective Resource (BCF)*	Risk
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Ref:	Equity		Status	P90 / Low	P50 / Best	Mean**	P10 / High	Factor %
P2248	100%	Cadence Scremerston	Prospect	59	165	206	410	18
		Cadence Fell Sandstone	Prospect	111	604	923	2175	9
		Camden Millstone Grit	Prospect	58	160	204	405	15
		Bassett Bunter Sst	Prospect	36	128	153	303	29
		Bathurst Bunter Sst	Prospect	119	275	317	571	18
		Beckett Bunter Sst	Prospect	97	403	460	892	18
			TOTAL	480	1735	2263	4756	

*Net on block resources

**The Mean has been added for completeness but is not recognised under PRMS guidelines

A copy of the full CPR report for Licence P2248 can be found on the following link:
<http://www.cluffnaturalresources.com/investor-relations/technical-reports/>

Updated Prospect and Lead Inventory

Following the Report for Licence P2248 the Company's current inventory of undrilled prospects and leads in the Southern North Sea gas basin is summarised below:

Licence Ref:	CLNR Equity	Project ID	PRMS Status	Gross GIIP (BCF)			Net Prospective Resource (BCF)*				Risk Factor %
				Low	Best	High	P90	P50	Mean**	P10	
P2248	100%	Cadence - Scremerston	Prospect	101	274	658	59	165	206	410	18
		Cadence - Fell Sandstone	Prospect	187	1008	3574	111	604	923	2175	9
		Camden - Millstone Grit	Prospect	120	322	782	25	160	204	405	15
		Bassett - Bunter Sst	Prospect	49	169	374	36	128	153	303	29
		Bathurst - Bunter Sst	Prospect	1669	357	704	119	275	317	571	18
		Beckett - Bunter Sst	Prospect	134	532	1095	97	403	460	892	18
P2252	100%	Lytham - Permian	Prospect	23	91	326	12	52	85	195	51
		Lytham - Carboniferous	Prospect	22	78	249	12	44	67	149	30
		Fairhaven	Prospect	18	64	210	9	36	56	125	26
		St Annes - Permian	Lead	7	25	86	4	14	23	52	20
		St Annes - Carboniferous	Lead	8	28	97	4	16	26	58	12
P2253 & P2258	50%	Lead Z - Zechstein	Lead	191	460	1027	54	139	173	335	15
		C North - Carboniferous	Lead	144	305	588	24	61	73	137	13
		HZ-80 Fault Abutment	Lead	241	512	987	40	103	123	230	11
P2261	100%	Clachnaharry	Lead	15	76	351	9	43	86	207	12
		Williamson	Lead	14	28	56	10	20	23	40	27
		Carboniferous	Play	155	465	775	90	270	270	450	Med-High

¹Licence P2261 will be relinquished on 28 October 2016.

It should be noted that the above table only includes prospects and leads which have been subject to sufficient work to be suitably quantified.

Portfolio Management Update

As part of the Company's portfolio management process the decision has been taken to extend licences on its most prospective acreage and relinquish, or partially relinquish, less prospective acreage within its Southern North Sea portfolio. This will focus the Company on core acreage (Licences P2248, 2252, 2253 and 2258), reduces exposure to escalating licence rental fees payable to the Oil and Gas Authority ("OGA") and removes acreage from the portfolio which cannot be easily assessed due to poor data quality or (as in the case of Licence P2259), is effectively sterilised by proposed offshore windfarms which were awarded planning permission post-award of the hydrocarbon licences.

- **P2248** – the Company has received confirmation from the OGA that the Company's request to extend the Promote period on licence P2248 for a further year (to 30 November 2017) has been granted.
- **P2252** – the Company has received confirmation from the OGA that the Company's request to extend the Promote period on licence P2252 for a further year (to 30 November 2017) has been granted.

A request for the relinquishment of part of P2252 has been made to the OGA with an effective date of 28 October 2016. This partial relinquishment does not affect the Lytham prospect or any of the Prospective Resources associated with the licence area as detailed in the initial CPR dated December 2015 and set out above.

- **P2253 & 2258** - the administrator of the licences, Burgate E&P, has submitted an application to the OGA for an extension to the Promote period on these licences.
- **P2259** – A request for the relinquishment of P2259 has been made to the OGA with an effective date of 28 October 2016. As previously reported the majority of this licence area is affected by the proposed and permitted Creyke Beck Offshore Windfarm which is likely to prevent future oil and gas activity on this block. This block will be relinquished in its entirety. There are no Resources or Reserves associated with this licence.
- **P2261** – A request for the relinquishment of P2261 has been made to the OGA with an effective date of 28 October 2016. The full evaluation of this licence area is hampered by limited 3D seismic coverage and poor quality existing 2D seismic data sets. There would appear to be limited opportunities to monetise this licence in the

short term and therefore it will be relinquished in its entirety. The previous CPR estimated P50 Prospective Resources of 63 BCF associated with two leads in the Bunter and Permian and a further 270 BCF of play level resource in the deeper Carboniferous section. Given its obvious potential prospectivity the Company will review options for re-licencing some of the acreage under the more attractive 'Innovate' licence terms in the UK's 30th Licencing Round in 2017.

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.

The GIIP volumes and Prospective Resources in the CPR have been prepared 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).

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Glossary of Technical Terms

PMRS:	Petroleum Resources Management System (2007)
mmscfd:	Million Standard Cubic Feet Per Day
BCF:	Billion Cubic Feet
GIIP:	Gas Initially in Place

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.

Risk Factor: 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.

TCF: Trillion Cubic Feet

Definition of Prospective Resources, P90, P10, P50, Pmean

While there may be a significant risk that sub-commercial or undiscovered accumulations will not achieve commercial production, it is useful to consider the range of potentially recoverable volumes independently of such a risk.

Prospective Resources are those quantities of petroleum which are estimated to be potentially recoverable from undiscovered accumulations. These estimates are derived from volumetric estimates for the reservoir size, estimates of the reservoir characteristics (porosity, permeability, oil saturation). The basis of these estimates would be available geological and geophysical data, and the data from any existing wells in the given area.

Any estimation of resource quantities for an accumulation is subject to both technical and commercial uncertainties and consequently there will be a range of estimates which in general will be substantially greater for undiscovered accumulations than for discovered accumulations. In all cases, however, the actual range will be dependent on the amount and quality of data (both technical and commercial) which is available for that accumulation. As more data become available for a specific accumulation (for example wells and reservoir performance data) the range of uncertainty would be reduced.

Probabilistic methods are normally used to quantify the uncertainty in these estimated quantities and the results of the analysis are typically presented by stating resource quantities at the following levels of confidence:

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.

Mean is the mean of the probability distribution for the resource estimates. This is often not the same as P50 as the distribution can be skewed by high resource numbers with relatively low probabilities.