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Cluff Natural Resources Plc / Index: AIM / Epic: CLNR / Sector: Natural Resources

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Cluff Natural Resources Plc ('CLNR' or 'the Company')
**Scoping Study indicates robust economics for North Sea gas prospects on
Licence P2248**

CLNR, the natural resources investing company, is pleased to announce the results of an independent Scoping Study covering two prospects on its 100% owned Licence P2248 in the Southern North Sea gas basin, a proven region which has seen a significant pick-up in operational and corporate activity.

Highlights

- Scoping Study by Xodus Group Limited indicates robust economics for a range of development options for just two of the Company’s lower risk prospects on Licence P2248: the Cadence-Scremerston Prospect and the Bassett Bunter Sandstone
- Economic evaluation indicates highly positive NPV values in various P50 development scenarios for both prospects
- Post drill Expected Monetary Value (‘EMV’) following a discovery for Cadence and Basset of £86.6 million and £69.0 million respectively
- Implied extrapolated un-risked NPV for the six identified prospects on Licence P2248 of £697 million

Algy Cluff, Chief Executive & Chairman commented: “This study has confirmed our long-held conviction that exploring for gas in the Southern North Sea can deliver significant value for shareholders and the UK as a whole. Should exploration wells prove commercial quantities of gas in line with expectations, then the Scoping Study economics demonstrate that cost effective development options are readily available, a key consideration for any operator or investor looking at the Company’s exploration assets.”

Further Information

As an extension to the Competent Person’s Report on P2248 published in October 2016, Xodus Group Limited were commissioned to review potential development scenarios and economic viability of two of the six identified prospects on CLNR licence P2248 in the Southern North Sea gas basin, based on well analogues.

The Scoping Study focussed on two lower risk prospects on Licence P2248, the Cadence-Scremerston Prospect and the Bassett Bunter Sandstone Prospect, which, when combined, represent just 17% of total P50 un-risked Prospective Resources detailed in the October 2016 Competent Persons' Report and 12% of the Company's total P50 prospective resources. The economics of each prospect, based on a stand-alone development, were tested against numerous potential exploration outcomes and development scenarios and using a gas price profile based on UK NBP gas price futures forecasts (as of 7 March 2017) from 2017 to the end of 2021, with gas prices from 2022 onwards increasing at 2% per annum.

The economic evaluation indicated highly positive NPV values for both prospects and even in the P90 (i.e. low side recoverable gas volumes) NPV positive outcomes are possible. The outputs of the economic modelling for a selected representative development scenario for each prospect are presented in the table below:

Prospect	Formation	Unrisked P50 Prospective Resources (BCF) ¹			Chance of Success %	Unrisked NPV ₁₀ (GBP£Millions)			EMV (GBP£Millions) Post-Drill Success EMV
		Low (P90)	Mid (P50)	High (P10)		Low (P90)	Mid (P50)	High (P10)	
Cadence	Scremerston	59	165	410	18	12.7	47.6	285.8	86.6
Bassett	Bunter	36	128	303	29	3.0	41.8	183.1	69.0

¹ These figures are sourced from the Competent Person's Report on P2248 published in October 2016.

The study indicated that other prospects on Licence P2248, which would be significantly de-risked by exploration success, provide significant further possible upside to the economic cases presented below, but were not the focus of the current study. Additionally, it is expected that significant CAPEX and OPEX synergies could be realised if two or more prospects are developed as a cluster as opposed to a stand-alone development.

Cadence-Scremerston Highlights

- Modelled stand-alone development options included P90, P50 and P10 resource volumes, low and high CO₂ cases, different export routings and varying production well performance outcomes using the nearby Breagh field as the key analogue
- Mid-case NPV₁₀ of £47.6 million for selected development case (P90 to P10 range of £12.7 million to £285.8 million)
- EMV of £86.6 million assuming a discovery results from the proposed exploration well

- Cash flow positive after 18 months with a payback period of three years for the selected P50 development case
- Assumes no contribution from the Cadence-Fell or Camden prospects which contain significant upside potential (P50 prospective resources of 764 BCF in aggregate) assuming exploration success

Bassett Prospect

- Modelled development options included P90, P50 and P10 resource volumes, low and high CO₂ cases, different export routings and varying production well performance outcomes using the nearby Esmond field as a primary analogue
- Mid-case NPV₁₀ of £41.8 million for selected development case (P90 to P10 range of £3.0 million to £183.1 million)
- EMV of £69.0 million assuming a discovery results from the proposed exploration well.
- Cash flow positive after 18 months with a payback period of less than three years for the selected P50 development case
- Assumes no contribution from the Bathurst and Beckett prospects which contain significant upside potential (P50 prospective resources of 678 BCF in aggregate) assuming exploration success.

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

Qualified Person's Statement:

Andrew Nunn, CLNR's Chief Operating Officer, has reviewed and approved the information contained in this announcement. Mr Nunn is a Chartered Geologist who meets the criteria of a qualified person under the AIM Guidance Note for Mining, Oil and Gas Companies.

****ENDS****

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Glossary of Technical Terms

BCF: Billion Cubic Feet

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.

Chance of Success: 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.

EMV: Expected Monetary Value, being the value for a set of possible scenarios based on the average risked value of that set of scenarios and which is calculated by multiplying the value of each possible scenario with the chance of that scenario being realised

NBP: National Balancing Point, being a virtual trading location for the sale and purchase and exchange of UK natural gas

NPV: Net present value

NPV₁₀: NPV at a 10% discount rate

TCF: Trillion Cubic Feet

Definition of Prospective Resources, P90, P10, P50

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.

The Prospective Resources have been presented 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).