

8th February 2019

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). With the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

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

Farm out of licences P2252 and P2437 to Shell U.K. Limited

Cluff Natural Resources Plc, the AIM quoted natural resources investing company with a high impact exploration and appraisal portfolio focused on the Southern and Central North Sea, is pleased to announce that it has entered into a binding, conditional farm out agreement (“the Farm Out Agreement”) and a three month exclusive option (“the Option”) with Shell U.K. Limited (“Shell”) in relation to the Company’s Southern North Sea Licences P2252 and P2437 respectively.

Commenting, Cluff’s Chief Executive Graham Swindells said:

“We are delighted to be able to announce the farm-out of Licence P2252 and the terms of an option to farm out Licence P2437 with a partner of this standing. This partnership is a clear endorsement of the quality of the licences in our portfolio and demonstrates the Cluff technical team’s ability to identify and transform overlooked or less understood opportunities.

We are particularly excited at the prospect of embarking on our partnership with Shell with both parties sharing a commitment to further development in the Southern North Sea.

Most importantly, we now have direct visibility over the route to future drilling activity, and the potential to create further significant value for shareholders.

We look forward to building our partnership with Shell and successfully developing these prospects.”

P2252

- Under the terms of the Farm Out Agreement, Shell will acquire a 70 per cent. working interest in Licence P2252, and be appointed as the licence operator, in return for paying 100 per cent. of the costs of an agreed forward work programme to the earlier of 31 December 2020 or the date on which a well investment decision is made.

- Cluff will retain a 30 per cent. non-operated interest in Licence P2252.
- The agreed work programme for P2252 includes the shooting of not less than 400km² of new broadband 3D seismic data over the Pensacola prospect in the summer of 2019, subsequent processing of new and existing seismic data and sub-surface studies required to support a well investment decision before the end of 2020.
- All costs in relation to P2252 following the well investment decision (or 31 December 2020, if earlier) will be satisfied by each party in proportion to their working interests.
- Completion of the farm out is conditional on the entering into of a Joint Operating Agreement and the obtaining of regulatory consent from the Oil & Gas Authority, subject to a six month backstop.
- P2252 contains the Pensacola prospect which is estimated to contain unaudited mean GIIP of 566 BCF (equivalent to approximately 100 mmboe).

P2437

- The Company has granted Shell the Option to acquire a 50 per cent. working interest by 30 April 2019. If the option is exercised the Company will retain a 50 per cent. working interest and operatorship until a well investment decision is made with Shell paying the costs to date. The consideration receivable by the Company is a total of USD\$600,000 which is comprised of an initial payment and a further payment upon completion.
- If a decision is taken to drill an exploration well on P2437, Shell will pay a share in the proportion of 1.5:1 of the cost of an exploration well and the well test subject to an aggregate cap of USD\$25,000,000. Shell would therefore pay 75% of costs up to a total of USD\$25,000,000. Any cost over-runs associated with the well above this level are to be satisfied by each party in proportion to their working interest.
- If the Option is exercised completion will be conditional upon agreeing a Joint Operating Agreement and receiving consent from the Oil & Gas Authority.
- P2437 contains the Selene prospect which is estimated to contain unaudited mean GIIP of 509 BCF (equivalent to approximately 90 mmboe) and is located adjacent to Shell operated infrastructure associated with the Barque gas field.

Background

Licence P2252 was awarded to the Company in the UK's 28th Licensing Round. It contains the Pensacola prospect which is estimated to contain unaudited mean GIIP of 566 BCF (equivalent to approximately 100 mmboe).

Licence P2437 was awarded to the Company in the UK's 30th Licensing Round. It contains the Selene prospect which is estimated to contain unaudited mean GIIP of 509 BCF (equivalent to approximately 90 mmboe) and is located adjacent to Shell operated infrastructure associated with the Barque gas field which exports gas into the Bacton Gas Terminal.

Update on other licenses

The Company operates five further licences in the UK Continental Shelf that were granted in the UK's 30th Offshore Licence round and has commenced an intensive period of technical work including reprocessing of legacy 2D seismic and sub-surface studies to mature a number of highly prospective leads in both the Central and Southern North Sea.

In relation to Licence P2248, the Company is no longer in non-exclusive negotiations with its preferred bidder, as the bidder has been unable to demonstrate the necessary financial capacity to fund the forward work programme within the necessary timeframe. The Company continues to pursue options for funding a well on this license with other potential partners. If the Company runs out of time and a farm out is not agreed and announced by 28 February 2019 the Company will relinquish the licence and seek to re-licence it in the UK's 32nd Offshore Licence round.

The 32nd Offshore Licencing Round is due to commence during mid-2019 and the Company has identified a number of potential opportunities that are complementary to the existing portfolio and, if applications are successful, could provide a number of additional future drilling opportunities.

The Company will provide updates on each of these assets and opportunities in due course.

****ENDS****

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Notes to Editors

Cluff Natural Resources is a natural resources investing company listed on the AIM market on the London Stock Exchange (CLNR.L) primarily focussed on the Southern North Sea gas basin, with a high impact portfolio of operated, high working interest exploration and appraisal assets.

The Company has 100% of Licences P2248 and P2252 in the North Sea gas basin with a significant P50 prospective resource base of 2.4 TCF across 11 prospects with chances of success ranging from 9 to 49%.

The Company was awarded a further six licences in the Southern and Central North Sea by the UK Oil and Gas Authority in the UK's 30th Offshore Licencing Round. These licences contain oil as well as gas prospects and are estimated to contain an additional 1.9 TCF of P50 prospective resource, taking the Company's total resource base to 4.3 TCF. These licences took effect from 1 October 2018.

Cluff Natural Resources is focused on extracting much needed gas from the North Sea to supply the UK's energy mix which is currently heavily reliant on foreign supply. The Company is focussed on securing partners and funding to embark on a drilling campaign on the proven fairways of the Southern North Sea basin.

The Company has a strong institutional investor base and a portfolio which offers a unique opportunity of high quality, low risk and low-cost drilling prospects with potentially high impact results in an area where recent exploration has targeted both mature and new plays and has resulted in large discoveries.

Qualified Person

Andrew Nunn, a Chartered Geologist and Chief Operating Officer of CLNR, is a "Qualified Person" in accordance with the Guidance Note for Mining, Oil and Gas Companies, June 2009, of the London Stock Exchange. Andrew has reviewed and approved the information contained within this announcement.

Glossary of Technical Terms

BCF: Billion Cubic Feet

TCF: Trillion Cubic Feet

GIIP: Gas initially in place

Mmboe: Million barrels of oil equivalent

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.

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.