Cluff Natural Resources Plc / Index: AIM / Epic: CLNR / Sector: Natural Resources
30 April 2018

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

Cluff Natural Resources Plc, the natural resources investing company with a high impact exploration and appraisal portfolio focused on the Southern North Sea gas basin, is pleased to announce its audited preliminary results for the year ended 31 December 2017 ('FY 2017').

Highlights

- Invested in a number of applications for new licences in the UK's 30th Offshore Licensing Round, focused on the Company's core Southern North Sea gas basin with awards expected Q2 2018
- Data room opened to secure investment partner(s) to participate in drilling exploration wells on existing licences with a significant level of interest shown by several parties
- Scoping Study on Cadence-Scremerston and Basset Bunter prospects on Licence P2248 indicated robust economics and highly positive NPVs in various development scenarios with an implied extrapolated NPV (un-risked) of £697 million for the six identified prospects on P2248
- Cadence Prospect fault-seal analysis study has resulted in increased Chance of Success for Scremerston and Fell Sandstone interval
- Bunter Prospects rock physics study and trial reprocessing has resulted in increased Chance of Success for Bassett and Bathurst, with further de-risking of the Beckett prospect anticipated once technical work completed
- £1.0 million raised by way of a subscription of new ordinary shares in October 2017
- Cash position of £1.02 million as at 31 December 2017 (2016: £1.71 million)
- Cash used in operations for the period £1,428,306 (2016: £1,334,065)
- Loss for the period reduced to £1,590,203 (2016: £1,730,606)
- Post period a further £0.75 million raised by way of the subscription of new ordinary shares in April 2018 – Company funded to Q4 2018

Chairman's Statement

It is chilling to reflect that only ten years ago the UK was a net exporter of energy whereas now our country is highly vulnerable to changes in the climate, be it physical or political. As it happens, recent bad weather and tensions with Russia have delivered a wake-up call to the UK that we are close to crisis. It is otiose to apportion blame. Now is the time for action. Our island's characteristics provide an equation which will protect us in extremis with energy supply options ranging from subsidised renewables, solar and wind power, to the gasification of coal. However, it is the southern

North Sea which contains huge quantities of undiscovered gas with an infrastructure in place which is the envy of many countries, most obviously China. The 30th round of licensing awards due this quarter will herald the renaissance of this our most valuable energy asset.

It is my aim that shareholders' patience will be rewarded in the course of this year by securing investment to provide for one or more wells to be drilled on our Southern North Sea Licences and by the award, to us, of additional licences for which we applied in November in the 30th round of UK offshore licensing.

We leave no stone unturned in our endeavour to obtain a partner(s) for our licences in the Southern North Sea. With the exception of the Jersey Oil & Gas farm out to Statoil (which resulted in a significant oil discovery last year), there have been limited farm outs achieved not only offshore UK but throughout the World. The situation in the North Sea is however improving and is likely to improve further after the 30th round awards have been made as many companies, in my judgement, will continue to adopt a prudent attitude to their exploration budgets until they know the outcome of the round and how successful or not they have been. Thus, funds for exploration should be liberated in the event of some of the larger applicants securing less exposure than they had anticipated.

Our applications are significant and, I believe, well thought out and coherently presented. All matters pertaining to the round are of course *sub judice* whilst the Oil & Gas Authority are monitoring and vetting the applications and the applicants, but I can say that, should our application be largely recognised, we shall instantly be proprietors of a significant amount of highly prospective North Sea acreage and additional prospective resources.

As you may have read, in February 2018, I announced my decision to step down as Chief Executive to allow time to develop other interests, notably the formation of a new charity and the authorship of more books. These activities, however, will not be at the expense of my determination, as Chairman, to oversee the Board's duty to shareholders by translating the above objectives into reality.

J G Cluff
Chairman
30 April 2018

Chief Executive's Statement

2017 has been another year of significant progress and investment for the Company as we work towards our stated aim of drilling wells and ultimately becoming one of the UK's leading independent oil and gas companies focusing on exploration and appraisal.

From a technical perspective, Andrew Nunn and his team have achieved a great deal as a result of the extensive technical work they have carried out on our licences. This has resulted in a significantly enhanced understanding of the various prospects on our portfolio of licences, increasing the chances of geological success on both the Bunter and Carboniferous prospects. Most of this work has been completed such that our key prospects are now effectively drill ready.

From an economic perspective, in April 2017 an independent scoping and economic study was carried out on two of our prospects on Licence P2248. These prospects, the Bassett Bunter prospect and the Scremerston Carboniferous prospect were two of the smaller prospects, but nonetheless demonstrated extremely robust economics. This study also indicated an implied extrapolated NPV (just for P2248) of £697m. These economics are further enhanced bearing in mind UK gas prices have increased by over 30% since this work was carried out.

The farm out process commenced formally in early 2017 and this process has undoubtedly taken longer than originally anticipated. The farm in market has, with one or two exceptions, remained subdued throughout 2017 with exploration budgets amongst major operators still limited after a prolonged period of depressed oil and gas prices. However, with a sustained recovery in prices, coupled with the dramatically reduced costs of operating in the North Sea as the UK industry has successfully restructured itself, we have started to see signs of renewed interest in the sector and, in particular, the North Sea. We have experienced a significant level of interest in our data room and remain in dialogue with a number of parties. In parallel with the farm out process, the Company is also exploring various additional forms of financing which will support its ultimate aim of drilling one or more wells on these licences in 2019.

At the end of November 2017, the Company announced that the Oil & Gas Authority had granted an extension to the Promote Period and the Initial Term of P2248 and P2252 to 30 November 2018, subject to a number of technical and commercial milestones including a farm-out being achieved by 31 May 2018 and a drill or drop decision being made by 30 September 2018. The Company is confident that it will meet the technical milestones and has received interest from a number of parties in respect of the farm-out process. If, however, a farm-out of either licence is not concluded before 31 May 2018, the Company will, as it has done in the past, seek a deferral of this milestone from the Oil & Gas Authority to allow further time to secure the necessary funding to commit to drilling.

In November 2017, the Company made a substantial application for additional licences in the UK's latest (30^{th}) offshore licensing round. These applications, over multiple blocks, build on the Company's core competencies and are focussed primarily on the Southern North Sea. The blocks applied for contain a number of drilled discoveries, undrilled prospects and leads and, if awarded, have the potential to build scale, further diversifying the portfolio and significantly enhancing the Company's resource base. Awards are expected to be made before the end of the second quarter of 2018.

In April 2018 the Company raised an additional £750,000, primarily from institutional investors which will fund the Company to mid Q4 2018. Over the coming months the Company intends to commence evaluation of any additional licences expected to be awarded in the 30^{th} offshore licensing round, including estimated prospective resource volumes associated with any new licences. It will also continue the process to secure farm-in partner(s) and/or strategic investors. Geological and technical work on P2248 will be completed and at the same time the Company will continue to invest in developing well designs and planning in anticipation of a prospective multi-well drilling programme in 2019 on key exploration targets.

The Company has a strong foundation, with a substantial prospective resource base of 2.4 TCF of gas, equivalent to 400 million barrels of oil as well as having the opportunity, if successful in the 30^{th} licensing round, to significantly enhance and diversify that resource base. Each of the licences are held 100%, contain multiple prospects and are located close to existing infrastructure in a proven gas basin which has enjoyed significant exploration success in recent years. While there is always more that could be done to support investment in exploration, in the UK we are fortunate to have flexible and effective regulators in the Oil & Gas Authority and a favourable (top quartile globally) fiscal regime which makes the UK North Sea an attractive place in which to invest.

We remain an agile, low cost company with no debt and with a sustained recovery in oil and gas prices coupled with a significant reduction in exploration costs, we believe now is a perfect time to be investing in drilling in the North Sea.

Graham Swindells
Chief Executive Officer

30 April 2018

Operational Review

The year saw significant investment in our existing Southern North Sea assets which focused on a deeper understanding of the key risk factors associated with each of the prospects and defining the operational parameters for a future drilling campaign. This included commencement of the re-processing of seismic data over Licence P2248, as agreed with the Oil and Gas Authority during the licence extension process, and scoping a potential new 3D survey over the Pensacola prospect on Licence P2252.

P2248 – Cadence Prospect

The Cadence prospect is a large dip and fault sealed structure with much of the resource upside being reliant on cross-fault seal. Given this is the key risk associated with the prospect, the technical work undertaken during 2017 focused on this element of the prospect and included a revised structural interpretation focusing on fault linkages, a fault seal analysis study which looked at potential hydrocarbon column heights held within the larger structure and an internal study which reviewed the relative timings of fault reactivation and hydrocarbon charging events. The outcome has been a positive revision of the prospect risking, especially within the Scremerston Formation, for which the modelling work indicates that modest faults can effectively retain hydrocarbon columns of several hundred metres.

The additional work around fault seal and hydrocarbon charge timing has allowed us to significantly increase the geological chance of success (GCoS) associated with the Cadence prospect, lifting the GCoS for the Scremerston interval from 18% to 26% and from 9% to 16% for the Fell Sandstone interval.

Licence P2248 – Bunter Sandstone Prospects

During the year the Company completed a rock physics study and trial reprocessing, including a pre-stack inversion, of the existing 3D with the aim of confirming the applicability of an Amplitude Versus Offset (AVO) workflow to further define the Bunter Prospects. The rock physics study confirmed a definite ‘gas response’ was to be expected within the Bunter Sandstone and the AVO analysis of the reprocessed seismic both provided enhanced reservoir definition within the Bunter Sandstone and confirmed that the AVO response over the three Bunter Prospects is analogous to the response observed at the Esmond Gas Field and the Furasta discovery on adjacent blocks.

In conjunction with the AVO work, significant time was spent on the identification of potential migration pathways for gas from its sources in the underlying Carboniferous, through the regional Zechstein seal and into the overlying Bunter Sandstone which is considered to be a key risk associated with this play. This resulted in the identification of a significant gas chimney directly linking the Carboniferous with the prospects within the licence area and the presence of the Tertiary dyke complex to the North East of the prospects which is one of the proposed migration routes for the Esmond Gas Field.

This initial work has allowed us to redefine the risks associated with the Bassett and Bathurst prospects, with GCoS increasing to 37% and 22% respectively and we anticipate a similar uplift in the GCoS associated with the Beckett prospect once the reprocessing and AVO workflow is propagated out into the full 3D seismic volume.

P2252 – Pensacola Prospect

The focus of technical work on P2252 has been on enhancing our understanding on the Pensacola Z2 Zechstein reef prospect, especially with respect to production analogues, regional setting and potential for follow-on opportunities on adjacent acreage. Halliburton had previously completed a seismic inversion study on the Lytham-Fairhaven prospect based on the Marathon 3D, which images the southern third of the Pensacola prospect, with work ongoing to integrate the outputs of this inversion study into our geological model for Pensacola.

A potential alternative work program which includes the acquisition of a new 3D survey across the entire Pensacola prospect has been agreed with the OGA. This gives optionality going forward and the new 3D survey may be undertaken either prior to drilling the initial exploration well into the prospect or post the initial well to aid future development operations if the initial well demonstrates the presence of commercial quantities of gas.

Licence and Resource Summary

The Company’s current licence portfolio and prospect inventory, as of March 2018, is summarised below:

Licence	**Prospect**	**Reservoir Formation**	**GIIP Range (BCF)**	**Prospective Resources (BCF)**				**CoS %**
			P90 – P10	**P90**	**P50**	**Mean***	**P10**	
P2248	Camden	Yoredale	120 - 782	58	**160**	**204**	405	15

Q43 **240 km²**	Cadence	Scremerston	101 - 658	59	**165**	**206**	410	26
		Fell Sandstone	187 - 3,574	111	**604**	**923**	2,175	16
	Bassett	Bunter Sandstone	49 - 374	36	**128**	**153**	303	37
	Bathurst		169 - 704	119	**275**	**317**	571	22
	Beckett		134 - 1,095	97	**403**	**460**	892	18
P2252 **Q41** **358 km²**	Lytham	Fractured Hauptdolomite	117 - 416	52	**123**	**137**	244	49
		Carboniferous	22-249	12	**44**	**68**	149	30
	Fairhaven	Fractured Hauptdolomite	40 - 170	18	**45**	**53**	98	30
	Pensacola	Fringing Reef	216 - 1,077	113	**270**	**338**	650	20
		Reef Fill	254 - 651	67	**154**	**186**	347	16
TOTALS**			1,409 – 9,750	742	**2,371**	**3,045**	6,244	

*Mean resources have been added for completeness but is not recognised under PRMS guidelines
**Resources have been aggregated for simplicity but are not PRMS compliant

Licence Extensions

In August 2017 we requested an extension of the current licences into their fourth year and these extensions were duly granted by the Oil and Gas Authority in November 2017. As highlighted at the time, these extensions were subject to a series of technical and commercial milestones to be met during the coming year.

The key dates imposed by the OGA are to conclude the farm out discussions by 31st May, or secure alternative funding, which would allow drilling of a well on P2248 and the acquisition of new 3D seismic across the Pensacola prospect on P2252. Final Drill or Drop decisions for both licences are required by 30th September 2018.

Farm out

The global farm-out market remained challenging during 2017 with less than one farm-out per month being completed worldwide and a reduction in the value of the of the deals being offered. However, with oil prices in excess of $70 a barrel and a UK NBP gas price of $7MMBtu, there has been a significant increase in asset level deal activity since the final quarter of 2017. This enhanced deal activity coincided with a renewed interest in the North Sea from new entrants being attracted to the basin on the back of significantly reduced lifting costs, an enhanced fiscal regime and the 30th Offshore Licensing Round.

To capitalize on this renewed interested in the North Sea, the Company engaged ENVOI Ltd, a specialist upstream asset marketing firm, to assist with marketing the existing assets on a global scale. We have an ongoing dialogue with many of the companies who have been involved in the data room process, however it is clear that achieving the best possible outcome for the licences requires a strong element of competitive tension. If, however, a farm-out of either licence is not concluded before 31 May 2018, the Company will, as it has successfully done in the past, seek a deferral of this milestone from the UK Oil & Gas Authority.

While the farm-out process remains the preferred route to funding future drilling, the Company continues to consider alternative ways of ensuring the proposed drilling activity is funded within the timelines set out by the OGA. The options being considered in addition to farm-out include using an element of equity in licences to offset drilling and service contractor costs and potentially entering into innovative deals that will result in cash payments on well completion (i.e. bottom-hole contributions) or agreeing an option to purchase with established Operators prior to undertaking well operations.

30th Offshore Licensing Round

In November 2017, the Company submitted a number of applications for new licences in the UK's 30th Offshore Licensing Round. The Company has leveraged its deep technical understanding of the key plays on our existing acreage to identify a number of highly prospective blocks around our core acreage, and elsewhere in the UKCS ("UK Continental Shelf"), which will provide a significant funnel of opportunities to support future drilling activity.

The application areas are primarily focused on our core area in the Southern Gas Basin and many blocks contain small existing discoveries which significantly de-risk the exploration potential but may also form viable production opportunities in their own right.

New licence awards are expected to be announced during Q2 2018 and, depending on the extent of licences awarded by the OGA, have the potential to significantly enhance and diversify the Cluff portfolio, both in terms of the scale of resources and geographically.

Future developments

The Company is committed to drilling the existing assets and continues to advance towards a potential multi-well drilling program commencing in 2019. Whilst a number of hurdles remain to be resolved, the initial well engineering, project schedule, detailed cost estimates and data collection requirements for each prospect are being progressed to ensure as short an interval as possible between finalisation of well funding to drilling operations.

A J Nunn
Chief Operating Officer
30 April 2018

Financial Review

All major expenditure in the last two years has been focused on the development of the Company’s portfolio of conventional North Sea assets and in the appraisal of a number of other natural resources opportunities in accordance with the Company’s investment strategy, in addition to on-going administrative expenditure.

Loss for the year

The Company incurred a loss for the year to 31 December 2017 of £1,590,203 (2016: £1,730,606) which related primarily to technical and administrative expenditure. The loss for 2017 was less than the previous year primarily because 2016 included an impairment charge of £318,407 in relation to the carrying value of the North Sea gas licences which the Company relinquished that year, whereas no impairment charge was incurred in 2017.

Financial position

The Company’s cash position was £1,016,667 at 31 December 2017 (2016: £1,707,910) with the year-on-year decrease in cash being explained below. The increase in intangible assets to £775,351 (2016: £554,498) is mainly due to further investment in the North Sea licences of £223,508. Total liabilities include short-term creditors and accruals, which slightly decreased to £212,539 (2016: £222,877). The decrease in total equity of £514,526 is due to the loss for the year offset by the subscription of new shares, and other movements set out in the Statement of Changes in Equity.

Cash flow

In the year to 31 December 2017, net cash used in operating activities was £1,428,306 (2016: £1,334,065) and £224,729 was used in investing activities (2016: £447,735) all of which relates to expenditure on exploration assets. This was partially offset by cash received (net of expenses) of £961,792 from the subscription of new ordinary shares in October 2017.

Consequently, in the year to 31 December 2017, the Company experienced a net cash outflow of £691,243 (2016: £593,858 inflow).

Equity fundraising

On 6 October 2017, the Company raised £1,000,000, before expenses, through the aggregate subscription of 66,666,667 new ordinary shares of 0.5p each at 1.5 pence per share with new and existing institutional and private investors (the "Subscription"). Admission of the shares to trading on AIM occurred in October 2017. The purpose of this Subscription was to fund the Company to complete the application for additional licences under the UK's 30th Offshore Licensing Round, to allow additional time to seek to complete a farm out of the Company's two 100% owned gas licences in the Southern North Sea and to continue to pursue additional investment opportunities, as well as for general working capital purposes. At that time, the Company stated that the net proceeds of the Subscription would fund the Company through to at least the middle of Q2 of 2018. Since then, the Company has submitted comprehensive applications for licences in the 30th Offshore Licensing Round and has continued the process of seeking investment from third parties to fund drilling on the Company's two gas licences.

Following the Subscription there were 396,060,199 ordinary shares in issue.

Following a further subscription announced on 20 April 2018, which generated proceeds of £750,000 before expenses, the Company's working capital position is ahead of that stated in October 2017 such that the Company is funded until the middle of Q4 of 2018.

Closing cash

As at 31 December 2017, the Company held cash balances of £1.02 million (2016: £1.71 million).

Shareholders' equity

As at 31 December 2017 there were 396,060,199 (2016: 329,393,532) ordinary shares in issue.

Additionally, a total of up to 40,756,901 (2016: 50,096,901) new ordinary shares may be issued pursuant to the exercise of share options or warrants.

Going concern

The inherent nature of the Company means it is dependent on its existing cash resources and its ability to raise additional funding in order to progress its exploration programme on an ongoing basis. Based on the cash balance at year end and the Company's commitments, and following the receipt of £750,000 before expenses from the subscription of shares announced on 20 April 2018, the Company has adequate financial resources to cover its budgeted exploration and development programme until the middle of Q4 of 2018. Further funding will likely be required to allow the Company to fully implement its strategy beyond this period and it therefore anticipates that further funds will be raised, most likely by way of equity, as it has successfully done in the past.

Key performance indicators

At this stage in its development, the Company is focusing on the development of its existing North Sea gas assets, applying for additional licences, as well as the evaluation of various oil and gas opportunities. As and when the Company moves into production, financial, operational, health and safety and environmental KPIs will become relevant and will be measured and reported as appropriate.

The Directors do however closely monitor certain financial information, in particular overheads and cash balances as set out above.

Graham Swindells
Chief Executive Officer

30 April 2018

Investing policy

In addition to the development of the North Sea gas licences the Company has acquired to date, the Company proposes to continue to evaluate other potential oil and gas projects in line with its investing policy, as it aims to build a portfolio of resource assets and create value for shareholders. As disclosed in the Company's AIM Admission Document in May 2012, the Company's substantially implemented Investment Policy is as follows:

The proposed investments to be made by the Company may be either quoted or unquoted; made by direct acquisition or through farm-ins; either in companies, partnerships or joint ventures; or direct interests in oil & gas and mining projects. It is not intended to invest or trade in physical commodities except where such physical commodities form part of a producing asset. The Company's equity interest in a proposed investment may range from a minority position to 100 per cent ownership.

The Board initially intends to focus on pursuing projects in the oil & gas and mining sectors, where the Directors believe that a number of opportunities exist to acquire interests in attractive projects. Particular consideration will be given to identifying investments which are, in the opinion of the Directors, underperforming, undeveloped and/or undervalued, and where the Directors believe that their expertise and experience can be deployed to facilitate growth and unlock inherent value.

The Company will conduct initial due diligence appraisals of potential projects and, where it is believed further investigation is warranted, will appoint appropriately qualified persons to assist with this process. The Directors are currently assessing various opportunities which may prove suitable although, at this stage, only preliminary due diligence has been undertaken.

It is likely that the Company's financial resources will be invested in either a small number of projects or one large investment which may be deemed to be a reverse takeover under the AIM

Rules. In every case, the Directors intend to mitigate risk by undertaking the appropriate due diligence and transaction analysis. Any transaction constituting a reverse takeover under the AIM Rules will also require Shareholder approval.

Investments in early stage and exploration assets are expected to be mainly in the form of equity, with debt being raised later to fund the development of such assets. Investments in later stage projects are more likely to include an element of debt to equity gearing. Where the Company builds a portfolio of related assets, it is possible that there may be cross holdings between such assets.

The Company intends to be an involved and active investor. Accordingly, where necessary, the Company may seek participation in the management or representation on the Board of an entity in which the Company invests with a view to improving the performance and use of its assets in such ways as should result in an upward re-rating of the value of those assets.

Given the timeframe the Directors believe is required to fully maximise the value of an exploration project or early stage development asset, it is expected that the investment will be held for the medium to long term, although disposal of assets in the short term cannot be ruled out in exceptional circumstances.

The Company intends to deliver Shareholder returns principally through capital growth rather than capital distribution via dividends, although it may become appropriate to distribute funds to Shareholders once the investment portfolio matures and production revenues are established.

Given the nature of the Investing Policy, the Company does not intend to make regular periodic disclosures or calculations of its net asset value.

The Directors consider that as investments are made, and new investment opportunities arise, further funding of the Company will be required.

This strategic report contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business. Whilst the Directors believe the expectation reflected herein to be reasonable in light of the information available up to the time of their approval of this report, the actual outcome may be materially different owing to factors either beyond the Company’s control or otherwise within the Company’s control but, for example, owing to a change of plan or strategy. Accordingly, no reliance may be placed on the forward-looking statements.

J G Cluff	Graham Swindells
Chairman	Chief Executive Officer

Qualified Person

Andrew Nunn, a Chartered Geologist and COO of CLNR, is a "Qualified Person" in accordance with the Guidance Note for Mining, Oil and Gas Companies, March 2006, of the London Stock Exchange. Andrew has reviewed and approved the information contained within this news release.

Glossary of Technical Terms

PRMS:	Petroleum Resources Management System (2007)
BCF:	Billion Cubic Feet
GIIP:	Gas Initially In Place
SCF:	Standard 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
TCF:	Trillion Cubic Feet
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.
Pmean:	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.

The GIIP volumes and 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).

Income Statement
for the year ended 31 December 2017

	Notes	2017	2016
Continuing Operations		**£**	**£**
Administrative expenses:			
Impairment of exploration and evaluation assets		-	(318,407)
Other administrative expenses		(1,591,701)	(1,416,127)
Total administrative expenses		(1,591,701)	(1,734,534)
Operating Loss		(1,591,701)	(1,734,534)
Finance income		1,498	3,928
Loss Before Tax		(1,590,203)	(1,730,606)
Income tax expense		-	-
Loss for the year		(1,590,203)	(1,730,606)
Loss per share from continuing operations expressed in pence per share:			
Basic and diluted	2	(0.46)p	(0.70)p

Statement of Comprehensive Income
for the year ended 31 December 2017

	2017	2016
	£	**£**
Loss for the year	(1,590,203)	(1,730,606)
Other Comprehensive Income	-	-
Total Comprehensive Expense for the year attributable to the equity holders of the Company	(1,590,203)	(1,730,606)

Balance Sheet
as at 31 December 2017

	Notes	2017	2016
		£	**£**
Assets			
Non-current Assets			
Intangible assets	3	775,351	554,498
Property, plant and equipment		4,350	3,885
Investment in subsidiary		-	1,101
Other receivables		53,688	-
		833,389	559,484
Current Assets			
Other receivables		89,198	196,724
Cash and cash equivalents		1,016,667	1,707,910
		1,105,865	1,904,634
Total Assets		1,939,254	2,464,118

Capital and reserves attributable to the equity holders of the Company		
Shareholders' Equity		
Share capital	1,980,300	1,646,967
Share premium	8,390,436	7,761,977
Share-based payment reserve	627,838	582,193
Accumulated retained deficit	(9,271,859)	(7,749,896)
Total Equity	1,726,715	2,241,241
Liabilities		
Current Liabilities		
Trade and other payables	212,539	222,877
Total Liabilities	212,539	222,877
Total Equity and Liabilities	1,939,254	2,464,118

Statement of Changes in Equity

for the year ended 31 December 2017

	Share capital	Share premium	Share-based payment reserve	Accumulated retained deficit	Total equity
	£	£	£	£	£
Balance at 1 January 2017	1,646,967	7,761,977	582,193	(7,749,896)	2,241,241
Comprehensive income for the year					
Loss for the year	-	-	-	(1,590,203)	(1,590,203)
Total comprehensive loss for the year	-	-	-	(1,590,203)	(1,590,203)
Contributions by and distributions to owners					
Issue of share capital	333,333	666,667	-	-	1,000,000
Expenses of issue	-	(38,208)	-	-	(38,208)
Share-based payment	-	-	113,885	-	113,885
Lapsed warrants	-	-	(68,240)	68,240	-
Total contributions by and distributions to owners	333,333	628,459	45,645	68,240	1,075,677
Balance at 31 December 2017	1,980,300	8,390,436	627,838	(9,271,859)	1,726,715
Balance at 1 January 2016	996,111	6,037,175	529,292	(6,134,524)	1,428,054
Comprehensive income for the year					
Loss for the year	-	-	-	(1,730,606)	(1,730,606)
Total comprehensive loss for the year	-	-	-	(1,730,606)	(1,730,606)
Contributions by and distributions to owners					
Issue of share capital	650,856	1,876,284	-	-	2,527,140
Expenses of issue	-	(151,482)	-	-	(151,482)
Share-based payment	-	-	168,135	-	168,135
Expired/lapsed options	-	-	(115,234)	115,234	-
Total contributions by and distributions to owners	650,856	1,724,802	52,901	115,234	2,543,793
Balance at 31 December 2016	1,646,967	7,761,977	582,193	(7,749,896)	2,241,241

Statement of Cash Flows

for the year ended 31 December 2017

	2017 £	2016 £
Cash flows used in operating activities		
Net cash used in operating activities	(1,428,306)	(1,334,065)
Cash flows used in investing activities		
Purchase of intangible assets	(223,508)	(448,575)
Purchase of property, plant and equipment	(2,329)	(1,833)
Interest received	1,498	3,273
Investment in subsidiary	(390)	(600)
Net cash used in investing activities	(224,729)	(447,735)
Cash flows from financing activities		
Proceeds of share issue	1,000,000	2,527,140
Expenses of share issue	(38,208)	(151,482)
Net cash from financing activities	961,792	2,375,658
(Decrease) / increase in cash and cash equivalents	(691,243)	593,858
Cash and cash equivalents at beginning of year	1,707,910	1,114,052
Cash and cash equivalents at end of year	1,016,667	1,707,910

Notes to the Financial Information

for the year ended 31 December 2017

1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information for the year ended 31 December 2017 and 31 December 2016 set out in this announcement does not constitute the Company's statutory financial statements for the year ended 31 December 2017 but is extracted from the audited financial statements for those years. The 31 December 2016 accounts have been delivered to the Registrar of Companies. The statutory financial statements for 2017 will be delivered to the Registrar of Companies in due course.

The auditors have reported on the financial statements for the year ended 31 December 2017; their report contained a paragraph drawing attention to disclosures in the financial statements regarding the existence of a material uncertainty related to the ability of the Company to continue as a going concern. Their opinion on the financial statements was not modified in respect of this matter. The report did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board and as endorsed for use in the European Union, and with those parts of the Companies Act 2006 applicable to companies preparing their accounting under IFRS, this announcement does not itself contain sufficient information to comply with IFRSs.

The principal accounting policies adopted in the preparation of the financial information in this announcement are set out in the Company's full financial statements for the year ended 31 December 2017.

Going concern
The Company is dependent on its existing cash resources and its ability to raise additional funding in order to develop its assets. Based on the cash balance at year end and the Company's commitments, and following the receipt of £750,000

before expenses from the subscription of shares announced on 20 April 2018, the Directors are of the opinion that the Company has sufficient funds to cover its budgeted exploration and development programme and to meet its other operational obligations as they fall due until the middle of the fourth quarter of 2018. The Directors acknowledge that additional funds will be required to be raised to finance the Company's budgeted exploration and development programme and to meet its other operational obligations as they fall due beyond the middle of Q4 2018. These funds will need to be raised through partnership arrangements, capital raisings or other financing packages. At present there are no such arrangements in place and whilst the Directors remain confident of being able to successfully raise the required financing, most likely by way of equity as has been achieved in the past, there can be no guarantee that this will occur. These circumstances indicate the existence of a material uncertainty which may cast doubt on the Company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern which would principally relate to impairment of the Group's non-current assets.

Copies of the Company's audited statutory accounts for the year ended 31 December 2017 will be available at the Company's website at www.cluffnaturalresources.com, promptly after the release of this preliminary announcement and a printed version will be dispatched to shareholders shortly.

The Board approved this announcement on 27 April 2018.

2. Loss per Share

The Company has issued share options and warrants over Ordinary shares both of which could potentially dilute basic earnings per share in the future.

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Due to the losses incurred during the year, a diluted loss per share has not been calculated as this would serve to reduce the basic loss per share. There were 40,756,901 (2016: 50,096,901) share incentives outstanding at the end of the year that could potentially dilute basic earnings per share in the future.

Basic and diluted loss per share

	2017	**2016**
Loss per share from continuing operations	(0.46)p	(0.70)p

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2017 **£**	**2017** **£**
Loss used in the calculation of total basic and diluted loss per share	(1,590,203)	(1,730,606)

Number of shares	**2017** Number	**2016** Number
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	343,914,080	246,340,146

3. Intangible Assets

	Exploration & Evaluation Assets **£**	**Software Licences** **£**	**Total** **£**
Cost			
At 1 January 2016	763,251	7,456	770,707
Additions	438,062	10,513	448,575
At 31 December 2016	1,201,313	17,969	1,219,282
Additions	223,508	-	223,508
At 31 December 2017	1,424,821	17,969	1,442,790
Amortisation			
At 1 January 2016	336,790	5,789	342,579
Charge for year	-	3,798	3,798

Impairment	318,407	-	318,407
At 31 December 2016	655,197	9,587	664,784
Charge for year	-	2,655	2,655
At 31 December 2017	655,197	12,242	667,439
Net Book Value			
At 31 December 2017	769,624	5,727	775,351
At 31 December 2016	546,116	8,382	554,498
At 1 January 2016	426,461	1,667	428,128

In the course of 2016 the Company's Southern North Sea licences P2259, P2261 and P2253 were relinquished. Accordingly, the carrying value of these assets was impaired down to £nil by £318,407 during 2016.

The net book value of exploration and evaluation assets at 31 December 2017 and 2016 relates solely to the Company's two remaining North Sea Licences, P2252 and P2248.

****ENDS****

For further information please visit www.cluffnaturalresources.com or contact the following:

Cluff Natural Resources Plc Tel: +44 (0) 20 7887 2630
Algy Cluff / Graham Swindells / Andrew Nunn

Allenby Capital Limited (Nominated Adviser & Broker) Tel: +44 (0) 20 3328 5656
David Hart / Alex Brearley / Asha Chotai (Corporate Finance)
Chris Crawford / Katrina Perez (Corporate Broking)

Camarco Tel: +44 (0) 20 3757 4983
Billy Clegg / James Crothers / Owen Roberts