Cluff Natural Resources Plc / Index: AIM / Epic: CLNR / Sector: Natural Resources
25 April 2019

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

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 its audited preliminary results for the year ended 31 December 2018 ('FY 2018').

Highlights

- Farm-out of Licence P2252 (which contains the Pensacola Prospect) to Shell UK. Farm-out agreed in February 2019, which includes shooting of new seismic and a contingent well commitment
- Option granted to Shell UK to farm into Licence P2437 (which contains the Selene Prospect), agreed in February 2019. Cash consideration is US$600,000 which includes an initial payment already received, and a balance on completion
- Awarded six additional licences by the UK Oil and Gas Authority with effect from October 2018 covering 10 full and part blocks in the Central and Southern North Sea, in the UK's 30th Offshore Licencing Round
- Company now has diverse portfolio of seven licences which includes oil as well as gas prospects
- Estimated resource on Dewar oil prospect on Licence P2352 significantly enhanced - now estimated by the Company to contain up to 270 million barrels of oil in place with P50 Prospective Resources of 39.5 million barrels. Farm-out process planned to commence towards end of H1 2019
- £2.75 million (gross) raised by way of equity in 2018
- Cash position of £1.43 million as at 31 December 2018 (2017: £1.02 million)
- Loss for the year £1.66 million (2017: £1.59 million)
- Cash used in operations for the year £1.52 million (2017: £1.43 million)

Chairman's Statement

In my last Chairman's statement, I made some commitments and predictions. These included the Company obtaining a significant number of additional licences in the 30th Round of North Sea awards and securing a farm-out of our 28th Round licences. As we reflect on 2018, not only were we awarded six additional licences in the 30th Round, but on one of them (P2437) we have already signed an option agreement with Shell which provides for them to acquire a 50% interest in the licence and to pay up to 75% of the costs of an exploration well on the Selene prospect. Shell has until 30 April 2019 to exercise this option.

Shell has also farmed into our 28th Round licence (P2252) which contains the Pensacola Prospect, and have committed to conduct a comprehensive seismic acquisition programme at their cost. The commitment also includes a contingent well. It is gratifying to have received the endorsement from Shell of our technical interpretation of both these licences.

On Licence P2248, although we were unable to achieve a further extension, it is our intention to reapply for the licence in the UK's 32nd Licensing Round, which is expected to commence in mid-2019.

In summary, we have therefore substantially fulfilled the commitments which I made last year, which is testament to the diligence of our executive team in negotiating the two agreements with Shell, together with the expertise of our technical staff in identifying and communicating the merits of the licences. I would also like to note how stimulating and rewarding the whole process of negotiation with Shell proved to be.

There is no question that the North Sea is experiencing a revival of fortune, especially in the context of natural gas. There is the market, an infrastructure and a need which will conspire to keep the North Sea up the agenda of the UK oil & gas industry for another generation.

Earlier this month, I announced my intention to retire following this year's AGM and that Mark Lappin, who has been a Director of the Company since 2016, will succeed me as Chairman.

Since stepping down as CEO last year, the Company's executive management team, with significant input from Mark, has produced a tremendous platform for the next stage of activity and growth via the successful award of six additional licences in the UK's 30th Licensing Round and delivering a transformational farm-out with Shell on one, and possibly two of the Company's licences. As a result of the farm-out with Shell, there is now a clear transition into a period of intensive oil and gas operations which will see, inter alia, the acquisition of 3D seismic in the summer of this year to support an investment decision for the drilling of at least one and potentially two wells. This is therefore the ideal time to pass the Chair to Mark whose wealth of operational experience, particularly in the North Sea, is perfectly suited to guide the business through this next exciting phase of its development.

I look forward to seeing our company continue to grow and prosper through this next stage of development.

J G Cluff
Chairman
24 April 2019

Chief Executive's Statement

The last year has undoubtedly been transformational for our company. This time last year, the Company's portfolio was limited to two licences and the Company did not yet have any partners. The Company now has a significantly enhanced and diversified portfolio of investment assets totalling seven licences, and is partnered with one of the world's largest oil and gas companies as a result of securing a farm-out over one and possibly two of its licences.

The Company has also strengthened its balance sheet in the course of the year, ending the year in a stronger financial position, while continuing to drive forward investment in our portfolio.

From an operational perspective, throughout the year our technical team continued to carry out extensive technical work on our existing and new licences. This work further enhanced our understanding of the various prospects on our portfolio of licences and has ultimately led to the farm-out success recently achieved.

In May 2018, we announced that the Company had been provisionally awarded licences covering 10 full and part blocks, by the UK Oil and Gas Authority (OGA). The formal award of these licences was announced in August 2018 and the licences took effect from 1 October 2018. These blocks are viewed by the Board as being highly prospective with many containing undeveloped discoveries and exploration upside which significantly enhances both the pipeline of potential drilling opportunities and the overall prospective resources associated with the Company's investment portfolio. This has been demonstrated by the fact that despite only holding these licences for a matter of months, the terms of a farm-out of one of these licences (P2437) has already been agreed, subject to the exercise of an option by 30 April 2019.

We were delighted to have been awarded these additional licences which represented a substantial award over multiple blocks which builds on the Company's core competencies focussed primarily on the Southern North Sea. While the Company's primary focus remains on Southern North Sea gas, two of the six licences awarded were made over blocks in the Central North Sea, which meant that oil prospectivity was added to the portfolio for the first time. The new licences contain a number of drilled discoveries, undrilled prospects and leads and create the potential to build scale, further diversifying the investment portfolio which we anticipate will lead to a significant pipeline of future drilling opportunities.

The Company now has an estimated P50 prospective resource in excess of 2.4 TCF of gas, equivalent to c.400 million barrels of oil. With the exception of one licence in which we are partnering with The Parkmead Group and the licences on which we are co-venturing with Shell, all our licences are held 100%, which provides maximum flexibility from which to farm down. The licences also contain multiple prospects and are located close to existing infrastructure in a proven gas basin which has enjoyed significant exploration success in recent years.

We look forward to further expanding our portfolio of licences when we apply for additional blocks in the UK's next licensing round which the Oil & Gas Authority has indicated will open in mid-2019.

Throughout 2018, exploration budgets amongst major operators remained limited as they continued to focus investment on maintaining existing production after a prolonged period of depressed oil and gas prices. However, as majors and other operators finally started to turn their attention to reserves replacement and ultimately exploration, we experienced a marked increase in the level of interest in our assets, ultimately resulting in the announcement of our agreements with Shell.

In February 2019, we were delighted to announce the farm-out of Licence P2252 (which contains the Pensacola Prospect) and the terms of an option to farm out Licence P2437 (which contains the Selene Prospect) with Shell UK. 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.

I am also very happy to report that the Company has ended the year in a stronger financial position. The Company was able to raise funds by way of equity twice during 2018, raising a total of £2.75 million, before expenses. This allowed the Company to continue the farm-out process while, at the same time, commencing the technical and commercial evaluation of the additional Central and Southern North Sea oil and gas licences awarded in the 30th Offshore Licensing Round.

While continuing to invest in the expansion and development of our licences, we have maintained a disciplined approach to costs and ended the year with just over £1.41 million of cash. The Company remains agile, continues to have no debt or any major financial commitments and keeps its overheads low. Our working capital position has improved from that which was previously guided, and the Company is now funded to the start of Q4 2019.

The outlook for exploration and the North Sea now appears to be improving significantly, underpinned by relatively stable commodity prices and significantly reduced costs. In 2018, only eight exploration wells were completed, however the UK sector expects to see up to 15 exploration wells drilled this year. This points to renewed confidence and crucially the budget now appears to be being made available for exploration. Of particular relevance and interest to us is that a number of these planned wells are in close proximity to the Company's existing licences. Spirit Energy are expected to drill the Andromeda and Aurora Prospects and Oranje-Nassau Energie are also expected to drill the Ossian-Darach prospect this year. Each of these three wells are in our core area of the Southern North Sea where we have our gas licences. Accordingly, any exploration success will further enhance the likelihood of success on our prospects.

The North Sea as a whole is becoming an increasingly attractive place to invest, and this has been evidenced by the increased level of M&A activity and the involvement of private equity backed businesses. The UK's regulatory and fiscal regime is now extremely favourable and with significantly reduced costs and more stable commodity prices, we believe this is an ideal time to be seeking to drill in the North Sea.

On behalf of the Board, I would like to thank our shareholders and other stakeholders for their continued commitment and support. We believe we are building a sustainable business with a strong and diversified portfolio of highly prospective oil and gas assets, with a world class partner on potentially two of the Company's licences. As such, we anticipate exciting times ahead as we enter the next stage of the Company's development and continue to strive to create significant value for our shareholders.

Graham Swindells
Chief Executive Officer
24 April 2019

Operational Review

Shell Farm-out Success

Following a period of exclusivity, the Company was delighted to announce that it had signed a binding farm-out agreement in relation to Licence P2252 with Shell U.K. on 8 February 2019.

In return for a 70% working interest and operatorship of Licence P2252, Shell U.K. Ltd will pay 100% of the costs of the agreed work programme from the completion date until the earlier of 31 December 2020 or the date on which a well investment decision is made. The agreed work programme comprises the acquisition of not less than 400km^2 new 3D seismic across the Pensacola Prospect in the summer of 2019 and associated processing and petro-technical studies required to support a well investment decision.

In addition to the farm-out on P2252, the Company also granted Shell a three-month exclusive option which runs until 30 April 2019, over a 50% working interest in Licence P2437 which was formally awarded to the Company in October 2018 and contains the Selene prospect. In the event that the option is exercised, binding terms have been agreed such that the Company will receive the outstanding balance of the total cash consideration of US$600,000 receivable from Shell. In addition, Shell would also pay 75% of the costs of the first well to be drilled on the licence up to a gross cost of US$25 million with any spend in excess of US$25 million to be shared in proportion to the working interest positions. Until a well investment decision has been finalised, the Company will retain operatorship of the licence and any expenditure incurred prior to a well investment decision will be shared with Shell in proportion to the working interest positions.

Licence Awards – 30th Licensing Round

As previously indicated, the UK Oil and Gas Authority announced the provisional award of licences in the 30th Offshore Licensing Round on 23 May 2018. These awards were formalised on 30 August 2019 and licences issued with an effective date of 1 October 2018. The Company was awarded 10 blocks, including part blocks, covering 1,376km^2 (gross) which were consolidated into six new licences. The firm work programme associated with Phase A of the initial term of the licences is restricted to data acquisition, seismic reprocessing and sub-surface studies, and is focused on providing greater clarity around prospect volumetrics and risk.

Licence P2252 – Southern North Sea

Activity during the period was almost exclusively focused on the farm-out efforts which ultimately resulted in the farm-out with Shell. We expect that 3D seismic acquisition will commence during the summer of 2019 with field operations expected to last approximately one month followed by a period of processing and re-interpretation prior to a well investment decision being finalised before the end of 2020.

The exploration well on P2252 is classed as 'contingent' by the OGA with the contingencies being restricted to demonstration of structural closure and presence of reservoir facies within closure. Given that the legacy data available over the Pensacola prospect demonstrates both structural closure and presence of reservoir facies, it is the Company's view that the acquisition of the new 3D seismic by Shell should be primarily centred around the appropriate placement and design of the exploration well on Pensacola.

Licence P2437 – Southern North Sea

Since the formal award of Licence P2437 on 1 October 2018, the Company has acquired the available legacy 3D data across the entire licence and surrounding areas. The Selene structure was identified by previous operators although issues with velocity modelling and depth conversion had historically led to significant uncertainty around the potential volumes of gas associated with the prospect.

This high-quality 3D data has allowed a re-interpretation of the Selene structure and allowed the Company, in partnership with a technology driven seismic specialist, to derive a velocity model and depth conversion which removes the volumetric uncertainty which was historically perceived to be the key risk associated with this prospect.

The Selene prospect is located approximately 20km away from Shell's existing infrastructure at Barque, which ultimately feeds Shell's Bacton processing facility near Great Yarmouth, both of which have the capacity to handle significantly higher volumes of gas than current throughput due to declining production of the older fields and significant upgrades to the Clipper South hub and Bacton processing plant.

The Company continues to work closely with Shell during the option period to ensure the option can be exercised before 30 April 2019 and to allow a well investment decision to be made at the earliest practicable date.

Licences P2428 and P2424 – Southern North Sea

During the period since the award of these licences, the focus has been on identifying and acquiring all the relevant subsurface data available for the licences and surrounding areas. The Phase A work programme on both blocks requires the reprocessing of a limited amount of legacy 2D seismic data and proposals have been sought for the work programme on both licence areas. It is anticipated that reprocessing contracts will be awarded during Q2 of 2019 with results expected within five to six months of starting the reprocessing workflows.

Both blocks contain large scale opportunities in the early Carboniferous and should exploration activity on adjacent blocks, including planned drilling on the Andromeda, Darach and Aurora prospects, prove commercial volumes of gas in the early Carboniferous, then the Company anticipates that there will be considerable interest in these licences from the industry.

Licences P2352 & P2384 – Central North Sea

These Central North Sea blocks are located in a relatively under explored area of the Central North Sea, adjacent to the large Marnock-Skua field, part of the Eastern Trough Area Project (ETAP) infrastructure which is operated by BP. These blocks contain multi-level oil prospectivity in the proven Forties, Pentland and Skagerrak formations and significantly diversify the portfolio.

Since award, technical work has focused primarily on the Dewar prospect which is centrally located on Licence P2352. The availability of newly reprocessed 3D Pre-Stack Depth Migration (PSDM) seismic data, obtained by the Company since the award of the licence in October 2018, has allowed a major geological re-evaluation of the Dewar prospect. New mapping indicates that the Dewar prospect is a Forties Sandstone Channel which the Company estimates to contain STOIIP of up to 270 million barrels of light oil in a high-quality sandstone reservoir with P50 prospective resources of 39.5 million barrels. The prospect is supported by a clear Amplitude Versus Offset (AVO) anomaly and is located less than 10km from the Marnock field infrastructure. Further work to be completed during 2019 includes a rock physics study and review of commercial development options both of which are underway and will be used to support farm-out activities which are expected to commence towards the end of H1 2019.

Regionally there is significant ongoing development activity including the development of the Culzean HPHT gas field, which is expected to produce first gas during 2019, and the Seagull discovery, which was recently acquired by Neptune with first production expected in 2022.

Portfolio Management

Following the failure of our preferred bidder on Licence P2248 to demonstrate the necessary financial capacity to fund the forward work programme within a timeframe that was acceptable to the OGA, the Company relinquished the licence with effect from 29 March 2019.

We still believe that the block, and in particular the Cadence prospect, is of significant strategic value and are anticipating re-applying for the acreage in the 32nd Licensing Round under the OGA's new, more favourable Innovate licence terms, which would involve reduced licence rentals, technical work programmes and administration costs.

In the interim period, the Company will carefully monitor the planned exploration drilling of analogous structures on adjacent blocks for the next 18 months, the results of which will significantly enhance the understanding of the early Carboniferous Fell Sandstone play.

Portfolio and Resource Summary – March 2019

The Company's current licence portfolio and prospect inventory, as of the end of March 2019, is summarised below:

Licence Ref:	Block ID	CLNR Equity	Project ID	Discovery (D) Prospect (P) Lead (L)	Net Prospective Resource (BCF)			GCoS %
					P90 Low	P50 Best	P10 High	
P2252	41/5a, 41/10a & 42/1a	30%	Pensacola - Zechstein Reef	P	35	93	170	20
			Lytham – Permian	P	16	37	73	49
			Lytham - Carboniferous	P	4	13	45	30
			Fairhaven - Zechstein	P	5	14	29	43
P2437	48/8b	100%	Sloop - Leman	D	7	18	38	100
			Selene - Leman	P	105	291	688	39
			Endymion - Leman	L	36	48	62	27
			Rig & Jib - Leman	L	11	29	58	35
P2424	42/14 & 42/15b	100%	Furasta - Bunter	D	7	18	30	100
			Burbank - Bunter	P	70	200	567	32
			Cortez - Carboniferous	L	24	107	433	29
			Cortez South - Carboniferous	L	129	331	732	28
P2428	43/7 & 43/8	100%	Cupertino - Scremerston	L	69	262	914	21
			Cupertino - Fell Sandstone	L	147	558	2089	30
P2435	47/10d & 48/6c	25%	Bob (Teviot) - Leman	D	2.8	5.5	10.3	100
			Blackadder - Leman	P	17.8	28.3	42.5	45

Licence Ref:	Block ID	CLNR Equity	Project ID	Discovery (D)	Net Prospective Resource (MMBOE)	GCoS %

				Prospect (P) Lead (L)	P90 Low	P50 Best	P10 High	
P2352	22/24f & 22/25g	100%	Dewar - Forties	P	10.5	39.5	80.5	40
			Tesla - Pentland	D	To be determined - mean STOIIP estimated @ 24 mmboe			
P2384	22/19f	100%	Manhattan Complex	L	To be determined			

Future developments

The year ahead will be another busy year for the Company as it continues to progress its core exploration focused strategy and plans on making a number of applications in the 32nd UKCS Offshore Licensing Round, which is currently expected to commence during the summer of 2019, with awards expected sometime during the first half of 2020.

The Company is looking forward to its first field operations during the summer of 2019 with the acquisition of new 3D seismic data across the Pensacola prospect by Shell.

During the second half of 2019, we will begin the farm-out process on a number of the licences awarded in the 30th Licence Round which, if successful, will support potential future drilling and seismic acquisition activities.

While maintaining focus on our core strategy, the Company continues to review other potential opportunities within the UK North Sea and adjacent basins which have the potential to create value for our shareholders in the short to medium term through near term exploration activity or potential cash flow generation.

A J Nunn
Chief Operating Officer
24 April 2019

Financial Review

All major expenditure in the last three years has been focused on the development of the Company's portfolio of conventional North Sea assets 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 2018 of £1,660,153 (2017: £1,590,203) which related primarily to technical and administrative expenditure. The loss for 2018 was slightly higher than the previous year as a result of higher technical and administrative expenses, in conjunction with the expansion of the investment portfolio.

Financial position

The Company's cash position was £1,425,986 at 31 December 2018 (2017: £1,016,667) with the year-on-year increase in cash being explained below. The increase in intangible assets to £1,617,087 (2017: £775,351) is mainly due to further direct investment in the North Sea licences of £825,391. Total liabilities include short-term creditors and accruals, which increased to £395,580 (2017: £212,539). The increase in total equity of £1,068,119 is due to the subscription of new ordinary shares, offset by the loss for the year, and other movements set out in the Statement of Changes in Equity.

Cash flow

In the year to 31 December 2018, net cash used in operating activities was £1,522,575 (2017: £1,428,306) and £674,729 was used in investing activities (2017: £224,729) of which £666,565 (2017: £223,508) related to expenditure on exploration assets. This was partially offset by total cash received (net of expenses) of £2,606,623 from the subscription of new ordinary shares in April 2018 and July 2018.

Consequently, in the year to 31 December 2018, the Company experienced a net cash inflow of £409,319 (2017: £691,243 outflow).

Equity fundraising

On 20 April 2018, the Company announced that it had raised £750,000, before expenses, through the subscription of 46,875,000 new ordinary shares of 0.5p each at 1.6 pence per share. The purpose of this subscription was to fund the evaluation of any licences awarded in the UK's 30th Offshore Licensing Round, continue the process to secure a farm-out of the Company's existing licences in the Southern North Sea, complete ongoing geological and technical work, and to continue to develop well designs and planning for a prospective multi-well drilling programme on key explorations targets on its existing licences. The Company has since been awarded six new gas and oil licences in the 30th Offshore Licensing Round and has secured a farm-out over one of its existing licences. The shares were allotted and admitted to trading on AIM on 26 April 2018.

On 27 June 2018, following the award of the additional six licences in the 30th Licensing Round, the Company announced that it had raised £2 million, before expenses, through the placing and subscription of 95,238,090 new ordinary shares of 0.5p each at 2.1 pence per share with new and existing institutional and private investors. The purpose of this placing and subscription was to fund the acceleration of the technical and commercial evaluation of the additional Central and North Sea licences awarded in the UK's 30th Offshore Licensing Round, continue the process to secure a farm-out of the Company's two existing gas licences in the Southern North Sea, and to continue to develop well designs and planning for a prospective multi-well drilling programme on key explorations targets on its existing licences. The shares were allotted and admitted to trading on AIM on 4 July 2018. Following the allotment there were 538,173,289 ordinary shares in issue. The Company is funded until the beginning of Q4 2019.

Closing cash

As at 31 December 2018, the Company held cash balances of £1.43 million (2017: £1.02 million).

Shareholders' equity

As at 31 December 2018 there were 538,173,289 (2017: 396,060,199) ordinary shares in issue. Following the exercise of share options in February 2019, the number of ordinary shares in issue increased to 548,821,998. Additionally, a total of up to 48,308,192 (2017: 40,756,901) new ordinary shares may be issued pursuant to the exercise of share options.

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 subsequent receipt of funds from Shell in respect of the grant of the option over Licence P2437, and proceeds of £141,095 from the exercise of share options, the Company has adequate financial resources to cover its budgeted exploration and development programme until the beginning of the fourth quarter of 2019. Further funding will 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 North Sea gas and oil assets, applying for additional licences, maintaining and extending existing licences, as well as the evaluation of various oil and gas opportunities. The Directors closely monitor the levels of overheads and other administrative expenditure, exploration expenditure and cash balances, as set out above. As and when the Company's investments move into production, other KPIs will become relevant and will be measured and reported as appropriate.

Graham Swindells
Chief Executive Officer
24 April 2019

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% 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
Chairman
24 April 2019

Graham Swindells
Chief Executive Officer
24 April 2019

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 announcement.

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 (GCoS):	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 2018

Continuing operations	Notes	2018 £	2017 £
Administrative expenses		(1,661,121)	(1,591,701)
Operating loss		(1,661,121)	(1,591,701)
Finance income		968	1,498
Loss before tax		(1,660,153)	(1,590,203)
Income tax expense		-	-
Loss for the year		(1,660,153)	(1,590,203)
Loss per share from continuing operations expressed in pence per share:			
Basic and diluted	2	(0.35)p	(0.46)p

Statement of Comprehensive Income
for the year ended 31 December 2018

	2018 £	2017 £
Loss for the year	(1,660,153)	(1,590,203)
Other comprehensive income	-	-
Total comprehensive expense for the year attributable to the equity holders of the Company	(1,660,153)	(1,590,203)

Balance Sheet
as at 31 December 2018

	Notes	2018 £	2017 £
Assets			
Non-current assets			
Intangible assets	3	1,617,087	775,351
Property, plant and equipment		11,788	4,350
Other receivables		53,688	53,688
		1,682,563	833,389
Current assets			
Other receivables		82,265	89,198
Cash and cash equivalents		1,425,986	1,016,667
		1,508,251	1,105,865
Total assets		3,190,814	1,939,254
Capital and reserves attributable to the equity holders of the Company			
Shareholders' equity			
Share capital		2,690,866	1,980,300
Share premium		10,286,493	8,390,436
Share-based payment reserve		749,487	627,838

Accumulated retained deficit	(10,932,012)	(9,271,859)
Total equity	2,794,834	1,726,715
Liabilities		
Current liabilities		
Trade and other payables	395,980	212,539
Total liabilities	395,980	212,539
Total equity and liabilities	3,190,814	1,939,254

Statement of Changes in Equity

for the year ended 31 December 2018

	Share capital £	Share premium £	Share-based payment reserve £	Accumulated retained deficit £	Total equity £
Balance at 1 January 2018	1,980,300	8,390,436	627,838	(9,271,859)	1,726,715
Comprehensive income for the year					
Loss for the year	-	-	-	(1,660,153)	(1,660,153)
Total comprehensive loss for the year	-	-	-	(1,660,153)	(1,660,153)
Contributions by and distributions to owners					
Issue of share capital	710,566	2,039,434	-	-	2,750,000
Expenses of issue	-	(143,377)	-	-	(143,377)
Share-based payment	-	-	121,649	-	121,649
Total contributions by and distributions to owners	710,566	1,896,058	121,649	-	2,728,272
Balance at 31 December 2018	2,690,866	10,286,493	749,487	(10,932,012)	2,794,834
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

Statement of Cash Flows

for the year ended 31 December 2018

	2018 £	2017 £
Cash flows used in operating activities		

Loss before tax	(1,660,153)	(1,590,203)
Investment income	(968)	(1,498)
Share-based payment	121,649	113,885
Depreciation	2,893	1,864
Amortisation	4,943	2,655
Impairment of investment in subsidiary	-	1,491
	(1,531,636)	(1,471,806)
Decrease in other receivables	6,933	53,838
Increase/(decrease) in trade and other payables	2,128	(10,338)
Net cash used in operating activities	(1,522,575)	(1,428,306)
Cash flows used in investing activities		
Purchase of intangible assets	(665,565)	(223,508)
Purchase of property, plant and equipment	(10,132)	(2,329)
Interest received	968	1,498
Investment in subsidiary	-	(390)
Net cash used in investing activities	(674,729)	(224,729)
Cash flows from financing activities		
Proceeds of share issue	2,750,000	1,000,000
Expenses of share issue	(143,377)	(38,208)
Net cash from financing activities	2,606,623	961,792
Increase / (decrease) in cash and cash equivalents	409,319	(691,243)
Cash and cash equivalents at beginning of year	1,016,667	1,707,910
Cash and cash equivalents at end of year	1,425,986	1,016,667

Notes to the Financial Information

for the year ended 31 December 2018

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 2018 and 31 December 2017 set out in this announcement does not constitute the Company's statutory financial statements for the year ended 31 December 2018 but is extracted from the audited financial statements for those years. The 31 December 2017 accounts have been delivered to the Registrar of Companies. The statutory financial statements for 2018 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 2018; 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 2018.

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, 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 beginning of the fourth quarter of 2019. 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 beginning of the fourth quarter of 2019. 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 Company was unable to continue as a going concern which would principally relate to impairment of the Company's non-current assets.

Copies of the Company's audited statutory accounts for the year ended 31 December 2018 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 24 April 2019.

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 58,956,901 (2017: 40,756,901) 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

	2018	**2017**
Loss per share from continuing operations	(0.35)p	(0.46)p

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

	2018 **£**	**2017** **£**
Loss used in the calculation of total basic and diluted loss per share	(1,660,153)	(1,590,203)

Number of shares	**2018** Number	**2017** Number
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	475,394,019	343,914,080

3. Intangible Assets

	Exploration & Evaluation Assets **£**	**Software licences** **£**	**Total** **£**
Cost			
At 1 January 2017	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
Additions	825,391	21,288	846,679

At 31 December 2018	2,250,212	39,257	2,289,469
Amortisation			
At 1 January 2017	655,197	9,587	664,784
Charge for year	-	2,655	2,655
At 31 December 2017	655,197	12,242	667,439
Charge for year	-	4,943	4,943
At 31 December 2018	655,197	17,185	672,382
Net Book Value			
At 31 December 2018	1,595,015	22,072	1,617,087
At 31 December 2017	769,624	5,727	775,351
At 1 January 2017	546,116	8,382	554,498

The net book value of exploration and evaluation assets at 31 December 2018 and 2017 relates solely to the Company's North Sea Licences.

Additions of £846,679 (2017: £223,508) differ to the cash flows in the Statement of Cash Flows owing to increases in trade and other payables of £181,114 (2017: £nil) relating to intangible assets.

Refer to note 4 for details of a subsequent event impairment arising in respect of exploration and evaluation assets.

4. Subsequent Events

On 8 February 2019, the Company announced agreements with Shell U.K. Limited ("Shell") in respect of its Southern North Sea licences P2252 and P2437. The Company has entered a binding, conditional farm-out agreement in relation to Licence P2252 and has granted Shell a three-month exclusive option to acquire a 50% working interest in Licence P2437. The Company has received payment from Shell in respect of the grant of the option over Licence P2437, which will be recognised as a gain in the Income Statement. The Company will receive a further payment upon completion of this transaction. If the option is exercised, the total payment (including that already received) will be US$600,000.

On 15 February 2019, the Company issued 10,648,709 shares at a price of 1.325p per share, following the exercise of share options by J G Cluff, generating proceeds of £141,095.

Following the failure of our preferred bidder on Licence P2248 to demonstrate the necessary financial capacity to fund the forward work programme within a timeframe that was acceptable to the OGA, the Company relinquished the licence with effect from 29 March 2019. As a consequence, in the subsequent period, the Company has recognised an impairment of the exploration asset relating to Licence P2248 and has recorded an impairment charge of approximately £805,000. As the decision to relinquish the licence was made in 2019, this is considered a 'non-adjusting' event and so the impairment charge will be reflected in the Income Statement in the 2019 financial report.

There were no other significant events subsequent to 31 December 2018.

****ENDS****

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