

CORPORATE

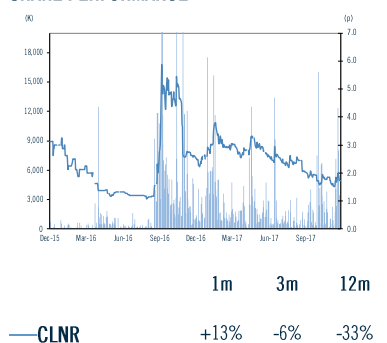
Current price 2.20p

Sector Oil & Gas

Code (CLNR)

Listing AIM

SHARE PERFORMANCE



Source: Fidessa, Allenby Capital

SHARE DATA

Market cap (£) £9.75m

Shares in issue (m) 442.94m

52 weeks High Low
3.30p 1.52p

Financial year end 31 December

Source: Company Data, Allenby Capital

LARGEST SHAREHOLDERS

IPGL	9.2%
Hargreaves Lansdown	9.1%
Janus Henderson Investors	7.4%
Guinness Asset Management	6.2%
Interactive Investor	5.9%
Fiske	5.9%

Source: Company Data

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CLUFF NATURAL RESOURCES PLC (CLNR)

POTENTIALLY A TRANSFORMATIONAL PHASE

CLNR could be entering a transformational phase in its development. This reflects pending farm-in with joint-venture partners on its two 100% owned licences in the Southern North Sea (SNS) gas basin and the potential award of some interesting new licences under the auspices of the UK's 30th offshore licensing round. A farm-in would be a prelude to drilling in 2019. Clearly, a success case would be influential for the stock. Uncertainty continues to surround a farm-in and hence the status of the licences post the OGA's (Oil & Gas Authority) current cut-off date for securing a joint-venture partner of May 31, 2018. CLNR, however, has expressed confidence in its ability to secure a partner in a timely fashion. It has also suggested that, if need be, it will seek a deferral of the OGA's cut-off date. CLNR has been successful in doing this in the past.

- Resource base:** CLNR has a substantial un-risked P50 resource base from potential Carboniferous and Triassic reservoirs in the SNS of 2.37 tcf (395mmboe), unchanged from our December 2017 update. Adjusted for the geological chances of success (wtd. ave. 22%), our risked resource assessment is a highly significant 515 bcf (86mm boe) or similar to the previous estimate. Note, CLNR's licences are in the heart of the Carboniferous play zone, close to the major Breagh (INEOS) and Pegasus (Centrica) gas fields.
- SNS licence status:** The OGA agreed to extend the Promote Period for CLNR's two licences, P2248 and P2252 to November 30, 2018 subject to certain conditions. These include a farm-out achieved by May 31, 2018 and a drill or drop decision by Sept.30, 2018. CLNR has indicated that it remains in discussions with several concerns that have shown interest in the licences. The company is also investigating alternative forms of financing for drilling in both licences. Awards under the 30th Licensing Round are expected by the end of Q2 2018. CLNR's licence applications are principally in the SNS and include discoveries.
- Drilling costs:** CLNR's licences are located in relatively shallow water of around 60m. This implies the use of a jack-up rather than a semi-submersible rig and low drilling costs by offshore standards. According to CLNR, dry well costs are likely to be £5-7m and £12m for the Triassic Bunter sandstone and Carboniferous prospects respectively. CLNR's intention with the planned farm-in is to be free-carried for drilling one or more wells. In our view, this will involve conceding at least 50% of the equity in the licences.
- Financials:** CLNR raised £0.75m gross in new equity in late April 2018. This has left the cash position currently at about £1.1m which according to the company will leave it funded 'through to the middle of Q4 2018'. We continue to look for a financing requirement in 2018 of £2m split £1.5m G&A and £0.4m licence related. The latter will depend in part on CLNR's success in obtaining licences in the 30th Licensing Round.
- Valuation:** We raise our risked valuation for CLNR from \$65m to \$77m (£55m) after allowing for a 50% free-carry working interest adjustment. The uplift reflects the recent emergence of a more bullish commodity price backdrop for E&P plays. The valuation quotient used has been raised from \$1.5/boe to \$1.8/boe, in-line with the increase in the National Balancing Point gas price over the past year. After diluting for a prospective equity raise of £1.50m in Q4 2018 to finance G&A and licence related expenditure, our valuation per share is 10.8p (£/\$ 1.40, prospective shares 511.1m). This is up from 10.3p previously.

SUMMARY FINANCIALS

Year-end December (£'000)	2014	2015	2016	2017	2018e
EBITDA	(1612)	(1,435)	(1,240)	(1,473)	(1,546)
PBT	(1,725)	(1,872)	(1,731)	(1,592)	(1,665)
NET CASH/(DEBT) END YEAR	1,208	1,114	1,708	1,017	(204)

Source: Company data, Allenby Capital

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EXHIBIT 1: SUMMARY FINANCIALS

INCOME STATEMENT	2013	2014	2015	2016	2017	2018E
Administrative Expenses	(1,932)	(1,745)	(1,547)	(1,416)	(1,592)	(1,665)
Impairment charge	0	0	(337)	(318)	0	0
Operating Profit	(1,932)	(1,745)	(1,884)	(1,735)	(1,592)	(1,665)
Finance Income	4	20	11	4	1	0
PBT	(1,928)	(1,725)	(1,872)	(1,731)	(1,590)	(1,665)
Taxation	-	-	-	-	-	-
Net Income	(1,928)	(1,725)	(1,872)	(1,731)	(1,590)	(1,665)
Comprehensive Loss	(1,928)	(1,725)	(1,872)	(1,731)	(1,590)	(1,665)
EBITDA	(1,737)	(1,612)	(1,435)	(1,240)	(1,473)	(1,546)
Avg. Shares Basic (m)	97	155	186.6	246.3	343.9	427.3
EPS (report) p	(1.99)	(1.11)	(1.00)	(0.70)	(0.46)	(0.39)
CASH FLOW	2013	2014	2015	2016	2017	2018E
Net Loss for the year	(1,928)	(1,725)	(1,872)	(1,731)	(1,590)	(1,665)
Change in receivables	118	(26)	85	(55)	54	19
Change in payables	(0)	105	(45)	(39)	(10)	0
Depreciation	7	7	344	326	5	5
Other	56	(20)	(11)	0	0	0
Share Based Payments	222	126	104	168	114	114
Net Operating cash flow	(1,525)	(1,533)	(1,396)	(1,334)	(1,428)	(1,527)
Acquisition of PPE	(1)	(1)	(1)	(2)	(2)	(2)
Exp and Eval assets additions	(14)	(208)	(513)	(449)	(224)	(410)
Miscellaneous	2	18	11	3	1	0
Proceeds from issue of shares	1,867	0	1,804	2,376	962	720
Net cash flow	329	(1,724)	(94)	594	(691)	(1,219)
Net cash/(debt)	2,931	1,208	1,114	1,708	1,017	(203)
BALANCE SHEET	2013	2014	2015	2016	2017	2018E
Intangible assets	18	254	428	554	775	1182
Property, Plant & Equipment	15	11	6	4	4	7
Other	54	54	54	1	0	0
Total Non-Current Assets	87	319	488	559	833	1,243
Receivables	145	173	88	197	89	70
Cash & Cash Equivalents	2,931	1,208	1,114	1,708	1,017	400
Total Current Assets	3,076	1,380	1,202	1,905	1,106	470
Total Assets	3,163	1,699	1,690	2,464	1,939	1,713
Non-Current Liabilities	0	0	0	0	0	0
Trade payables	35	97	176	60	112	112
Other payables	137	210	86	163	100	100
ST debt	0	0	0	0	0	604
Current Liabilities	172	307	262	223	213	817
Total Liabilities	172	307	262	223	213	817
Net assets	2,991	1,392	1,428	2,241	1,727	896
Net cash/(debt)	2,931	1,208	1,114	1,708	1,017	(204)
Shareholder Equity	2,991	1,392	1,428	2,241	1,727	896
Total Equity & Liabilities	3,163	1,699	1,690	2,464	1,939	1,713

Source: Company data, Allenby Capital

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