

**CORPORATE**

Current price 1.925p

Sector Oil &amp; Gas

Code (CLNR)

Listing AIM

**SHARE PERFORMANCE**


Source: Fidessa, Allenby Capital

**SHARE DATA**

Market cap (£) £6.34m

Shares in issue (m) 329.4m

52 weeks High Low

5.88p 1.08p

Financial year end 31 December

Source: Company Data, Allenby Capital

**LARGEST SHAREHOLDERS**

Hargreaves Lansdown 10.9%

Henderson Global 10.0%

Guinness Asset Management 8.3%

TD Direct 5.6%

Halifax Share Dealing 3.7%

Barclays Wealth 4.3%

Source: Company Data

Peter J Dupont

+44(0) 203-002-2078

p.dupont@allenbycapital.com

www.allenbycapital.com

**CLUFF NATURAL RESOURCES PLC (CLNR)**
*Grounds for optimism concerning a farm-in*

Over the past year CLNR has significantly de-risked its two 100% owned licences, P2248 and P2252, in the Southern North Sea (SNS) gas basin. By junior standards the company now has a substantial prospective gas resource base of 2.4 tcf. Over recent months an intensive farm-out process has been undertaken as a prelude to drilling. According to CLNR, there has been an 'encouraging response to the farm-out process' and a 'dialogue is ongoing with a number of major oil and gas companies'. We continue to believe there are grounds for optimism that a free-carry farm-in deal can be achieved in the coming months. This reflects not only the prospectivity of the Carboniferous play zone in the SNS, but also multiple prospects and hence drilling opportunities, the scale of the resource, favourable scoping study economics and significant farm-in interest.

- Resource base:** CLNR's SNS un-risked P50 resources stand at 2.37 tcf (395mmboe). Adjusted for the geological chances of success, our risked resource assessment is 520 bcf (87mm boe). These estimates are unchanged from our June 2017 report. Note, CLNR's licences are in the heart of the Carboniferous play zone and close to the major Breagh and Pegasus gas fields. BP's Ravenspurn exploration well targeting a deep Carboniferous prospect about 50 km south of P2248 was drilled earlier this year and we understand is awaiting testing. Clearly, a Ravenspurn discovery would have positive implications for CLNR.
- Licence status:** Technically, CLNR's Promote licences expire at the end of November 2017 in the absence of firm drilling commitments. However, licence extensions are possible without such commitments in the event of compliance with rigorous work programmes. We believe that given compliance and the regulatory desire to encourage exploration CLNR should be in a favourable position to gain an extension for a further year. CLNR is planning to participate in the UK's 30<sup>th</sup> Offshore Licencing Round. Several targets have been identified including some with discoveries. Applications are due in November and awards are expected in Q2 2018.
- Scoping economics:** A scoping study undertaken by the petroleum engineering consultancy Xodus released in late April 2017 pointed to potentially highly significant returns following gas discoveries on either the Carboniferous or Triassic prospects. The NBP (National Balancing Point) pricing assumptions based on the March 2017 forward curve are still valid. As of mid-September 2017, the NBP spot price of about 45p/therm was comfortably above the 35p at which economics become marginal.
- Financials:** We estimate that at mid-September 2017 CLNR's cash position was just under £0.6m. CLNR has clearly indicated that it will need to raise capital in Q4 2017 to finance G&A and licence related expenditure excluding drilling in 2018. As forecast previously, we look for a financing requirement of £1.87m split £1.36m G&A and £0.51m licence related. According to CLNR, dry well costs are likely to be £5-7m and £12m for Triassic Bunter sandstone and Carboniferous prospects respectively.
- Valuation:** We are maintaining our risked valuation for CLNR at £51m after allowing for a 50% free-carry working interest adjustment. The valuation quotient used is \$1.5/boe. After diluting for a prospective equity raise corresponding to our 2018 forecast financing requirement of £1.87m our valuation per share is also unchanged at 12.6p.

**SUMMARY FINANCIALS**

Year-end December (£'000)	2014	2015	2016	2017e	2018e
EBITDA	(1612)	(1,435)	(1,240)	(1,310)	(1,354)
PBT	(1,725)	(1,872)	(1,731)	(1,481)	(1,532)
NET CASH/(DEBT) END YEAR	2,931	1,208	1,708	(95)	(1,967)

Source: Allenby Capital

Allenby Capital acts as broker to Cluff Natural Resources.

This document should be classified as marketing communication and all required disclosures appear on the last page of the report. This research is intended for UK institutional investors only. It is not intended for retail customers and any retail customers should seek professional, independent advice before investing. Additional information is available upon request.

**EXHIBIT 1: SUMMARY FINANCIALS**

<b>INCOME STATEMENT</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>
Administrative Expenses	(1,932)	(1,745)	(1,547)	(1,416)	(1,481)	(1,532)
Impairment charge	0	0	(337)	(318)	0	0
Operating Profit	(1,932)	(1,745)	(1,884)	(1,735)	(1,481)	(1,532)
Finance Income	4	20	11	4	0	0
PBT	(1,928)	(1,725)	(1,872)	(1,731)	(1,481)	(1,532)
Taxation	-	-	-	-	-	-
<b>Net Income</b>	<b>(1,928)</b>	<b>(1,725)</b>	<b>(1,872)</b>	<b>(1,731)</b>	<b>(1,481)</b>	<b>(1,532)</b>
Comprehensive Loss	(1,928)	(1,725)	(1,872)	(1,731)	(1,481)	(1,532)
EBITDA	(1,737)	(1,612)	(1,435)	(1,240)	(1,310)	(1,354)
Avg. Shares Basic (m)	97	155	186.6	246.3	329.4	329.4
EPS (report) p	(1.99)	(1.11)	(1.00)	(0.70)	(0.45)	(0.47)
<b>CASH FLOW</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>
<b>Net Loss for the year</b>	<b>(1,928)</b>	<b>(1,725)</b>	<b>(1,872)</b>	<b>(1,731)</b>	<b>(1,481)</b>	<b>(1,532)</b>
Change in receivables	118	(26)	85	(55)	11	0
Change in payables	(0)	105	(45)	(39)	7	0
Depreciation	7	7	344	326	3	4
Other	56	(20)	(11)	0	0	
Share Based Payments	222	126	104	168	168	168
<b>Net Operating cash flow</b>	<b>(1,525)</b>	<b>(1,533)</b>	<b>(1,396)</b>	<b>(1,334)</b>	<b>(1,291)</b>	<b>(1,360)</b>
Acquisition of PPE	(1)	(1)	(1)	(2)	(2)	(2)
Exp and Eval assets additions	(14)	(208)	(513)	(449)	(509)	(510)
Miscellaneous	2	18	11	3	0	0
Proceeds from issue of shares	1,867	0	1,804	2,376	0	0
<b>Net cash flow</b>	<b>329</b>	<b>(1,724)</b>	<b>(94)</b>	<b>594</b>	<b>(1,802)</b>	<b>(1,872)</b>
<b>Net cash/(debt)</b>	<b>2,931</b>	<b>1,208</b>	<b>1,114</b>	<b>1,708</b>	<b>(95)</b>	<b>(1,967)</b>
<b>BALANCE SHEET</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>
Intangible assets	18	254	428	554	1061	1568
Property, Plant & Equipment	15	11	6	4	5	7
Other	54	54	54	1	1	1
<b>Total Non-Current Assets</b>	<b>87</b>	<b>319</b>	<b>488</b>	<b>559</b>	<b>1,067</b>	<b>1,576</b>
Receivables	145	173	88	197	185	185
Cash & Cash Equivalents	2,931	1,208	1,114	1,708	200	200
<b>Total Current Assets</b>	<b>3,076</b>	<b>1,380</b>	<b>1,202</b>	<b>1,905</b>	<b>385</b>	<b>385</b>
<b>Total Assets</b>	<b>3,163</b>	<b>1,699</b>	<b>1,690</b>	<b>2,464</b>	<b>1,453</b>	<b>1,961</b>
<b>Non-Current Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Trade payables	35	97	176	60	65	65
<b>Other payables</b>	<b>137</b>	<b>210</b>	<b>86</b>	<b>163</b>	<b>165</b>	<b>165</b>
ST debt	0	0	0	0	295	2,167
<b>Current Liabilities</b>	<b>172</b>	<b>307</b>	<b>262</b>	<b>223</b>	<b>525</b>	<b>2,397</b>
<b>Total Liabilities</b>	<b>172</b>	<b>307</b>	<b>262</b>	<b>223</b>	<b>525</b>	<b>2,397</b>
Net assets	2,991	1,392	1,428	2,241	928	(435)
Net cash/(debt)	2,931	1,208	1,114	1,708	(95)	(1,967)
Shareholder Equity	2,991	1,392	1,428	2,241	928	(435)
<b>Total Equity &amp; Liabilities</b>	<b>3,163</b>	<b>1,699</b>	<b>1,690</b>	<b>2,464</b>	<b>1,453</b>	<b>1,961</b>

Source: Company data, Allenby Capital

## DISCLAIMER

This document is issued by Allenby Capital Limited (Incorporated in England No.6706681), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority ("FCA") for designated investment business, (Reg No. 489795) and is a member of the London Stock Exchange.

This document is for information only and should not be regarded as an offer or solicitation to buy the securities or other instruments mentioned in it. It or any part of it do not form the basis of and should not be relied upon in connection with any contract.

Allenby Capital Limited uses reasonable efforts to obtain information from sources which it believes to be reliable but the contents of this document have been prepared without any substantive analysis being undertaken into the companies concerned or their securities and it has not been independently verified. No representation or warranty, either express or implied, is made nor responsibility of any kind is accepted by Allenby Capital Limited, its directors or employees either as to the accuracy or completeness of any information stated in this document. This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research; and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

Opinions expressed are our current opinions as of the date appearing on this material only. The information and opinions are provided for the benefit of Allenby Capital Limited clients as at the date of this document and are subject to change without notice. There is no regular update series for research issued by Allenby Capital Limited.

No personal recommendation is being made to you; the securities referred to may not be suitable for you and should not be relied upon in substitution for the exercise of independent judgement. Neither past performance nor forecasts are a reliable indication of future performance and investors may realise losses on any investments.

Allenby Capital Limited and any company or persons connected with it (including its officers, directors and employees) may have a position of holding in any investment mentioned in this document or a related investment and may from time to time dispose of any such securities or instrument. Allenby Capital Limited may have been a manager in the underwriting or placement of securities to the issuers of securities mentioned in this document within the last 12 months, or have received compensation for investment banking services from such companies within the last 12 months, or expect to receive or may intend to seek compensation for investment banking services from such companies within the next 3 months. Accordingly recipients of this document should not rely on this document being impartial and information may be known to Allenby Capital Limited or persons connected with it which is not reflected in this material. Allenby Capital Limited has a policy in relation to the management of the firm's conflicts of interest which is available upon request.

Allenby Capital Limited shall not be liable for any direct or indirect damages, including lost profits arising in any way from the information contained in this material. This material is for the use of intended recipients only and only for distribution to professional and institutional investors, i.e. persons having professional experience in investments who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom (such persons who do not have professional experience in matters relating to investments should not rely on this material), or persons who have been categorised by Allenby Capital Limited as Professional Clients or Eligible Counterparties. It is not intended for Retail Clients.

This document is being supplied to you solely for your information and may not be reproduced, re-distributed or passed to any other person or published in whole or in part for any purpose. The material in this document is not intended for distribution or use outside the European Economic Area except in the circumstances mentioned below to recipients in the United States. This material is not directed at you if Allenby Capital Limited is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you and persons into whose possession this material comes should inform themselves about, and observe, any such restrictions.

Allenby Capital Limited may distribute research in reliance on Rule 15a-6(a)(2) of the Securities and Exchange Act 1934 to persons that are major US Institutional investors, however, transactions in any securities must be effected through a US registered broker-dealer. Any failure to comply with this restriction may constitute a violation of the relevant country's laws for which Allenby Capital Limited does not accept responsibility.

By accepting this document you agree that you have read the above disclaimer and to be bound by the foregoing limitations / restrictions.

### RESEARCH RECOMMENDATION DISCLOSURE

Peter J Dupont is the author of this research recommendation. James is employed by Allenby Capital Limited as an Equity Analyst.

Tel: 020-3002-2078

Email: p.dupont@allenbycapital.com

Unless otherwise stated the share prices used in this publication are taken at the close of business for the day prior to the date of publication.

\* denotes that Allenby Capital acts as broker to the Company

Information on research methodologies, definitions of research recommendations, and disclosure in relation to interests or conflicts of interests can be found at [www.allenbycapital.com](http://www.allenbycapital.com)

**Allenby Capital**  
**3 St Helen's Place London EC3A 6AB**  
**+44 (0)20 3328 5656**  
**[www.allenbycapital.com](http://www.allenbycapital.com)**