

Corporate

 Current price **0.75p**

 Sector **Oil & Gas**

 Code **CLNR**

 AIM **AIM**

Share Performance



1m 3m 12m

— CLNR +7.1% -49.1% -67.7%

Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **£10.54m**

 Shares in issue (m) **1,406m**

52 weeks High Low

2.43p 0.63p

 Financial year end **December**

Source: Company Data, Allenby Capital

Key Shareholders

 IPGL (Michael Spencer) **16.8%**

 Canaccord **15.7%**

 Lombard Odier **8.2%**

 Janus Henderson Investors **6.7%**

 Hargreaves Lansdown **7.2%**

Source: Company Data, Allenby Capital

Matt Butlin

0203 328 5666

m.butlin@allenbycapital.com

www.allenbycapital.com

Cluff Natural Resources (CLNR)

Cash rich and an attractive portfolio of prospects

Not surprisingly, CLNR as a North Sea exploration junior has been unable to escape the growing malaise in oil and gas markets over the past three months and the sharp cutbacks in oil gas industry capital spending. We believe, however, there is a case for considering the contrary position. This reflects the sharp contango (futures prices higher than spot) in oil and gas futures prices and the continuing commitment of Shell, CLNR's joint-venture partner, in pursuing exploration work on the promising Selene and Pensacola projects in the SNS (Southern North Sea) gas basin. Furthermore, CLNR has a healthy balance sheet and operates with low fixed overheads. As normality returns we continue to see scope for positive news flow in 2020 primarily reflecting a Selene drilling decision, the results of last August's seismic shoot on the Pensacola prospect followed by well investment decision, a possible farm out of the Dewar oil prospect and the potential award of additional licenses in the latest UK licensing round.

- Commodity prices:** As of early May 2020, the benchmark North Sea NBP gas price was about 13p/therm, down 65% from a year earlier and a multi-year low. However, NBP futures prices which are arguably more relevant for investment decisions, are over 40p/therm in May 2020. Investment cutbacks could precipitate a tightening gas market medium-term.
- P2437:** Licence P2437 is located c.100km east of the Humber estuary and contains the Lower Lemn Sandstone Selene gas play. The licence is owned 50:50 by Shell and CLNR. The latter is acting as the licence operator until a well decision is made. 3-D seismic has been evaluated in recent months by Shell and CLNR. Selene is a relatively low-risk play in a prolific gas producing zone. Crucially, it is also close to underutilised Shell owned infrastructure and is linked to the Shell operated Bacton gas terminal on the Norfolk coast. We understand Shell remains committed to the project and we believe spudding a Selene well is most likely in H1 2021. CLNR are partially carried through the well with Shell paying 75% of costs.
- P2252:** Licence P2252 in which CLNR has a 30% non-operated interest is about 75km east of the Tees estuary in the SNS. It contains the Pensacola Zechstein reef play. Such plays have yielded interesting discoveries of late, including ONE-Dyas and Spirit's recent discovery at Darach. We believe the results of the seismic are encouraging and that a drilling decision will be made in Q4 2020 with the well being drilled in 2021.
- 32nd Offshore licence awards Q2 2020.** CLNR has stated that the blocks applied for in the SNS and CNS are highly prospective. Awards are expected to be announced in summer 2020 and, if successful, will significantly enhance resource potential and add value
- Financials:** CLNR's recently reported 2019 end year cash of £13.8m (current mkt cap of £10.5m) was in line with our expectations. Given the low cash burn of the Company, our end 2020 cash forecast is £12.0m. The strong balance sheet, tight cost control and further steps we believe CLNR has taken to reduce costs and conserve cash eradicates the need for a near term dilutive fundraise and positions CLNR to comfortably weather the current market malaise.

Year End:

(£'000)	2016A	2017A	2018A	2019A	2020E
PBT	(1,731)	(1,590)	(1,659)	(2,360)	(1,812)
EBITDA	(1,240)	(1,473)	(1,532)	(2,282)	(1,674)
NET OP. CASH FLOW	(1,334)	(1,428)	(1,523)	(1,413)	(1,463)
NET CASH	1,708	1,017	1,426	13,849	12,026

Allenby Capital acts as Nomad & Broker to Cluff Natural Resources (CLNR).

Please refer to the last page of this communication for all required disclosures and risk warnings.

Disclaimer

Allenby Capital Limited ("Allenby") is incorporated in England no. 6706681; is authorised and regulated by the Financial Conduct Authority ("FCA") (FRN: 489795) and is a member of the London Stock Exchange. This communication is for information only it should not be regarded as an offer or solicitation to buy the securities or other instruments mentioned in it. It is a marketing communication and non-independent research and has not been prepared in accordance with the 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. The cost of Allenby research product on independent companies is paid for by research clients.

This communication is for the use of intended recipients only and only for distribution to investment professionals as that term is defined in article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. Its contents are not directed at, may not be suitable for and should not be relied upon by anyone who is not an investment professional including retail clients. Any such persons should seek professional advice before investing. For the purposes of this communication Allenby is not acting for you, will not treat you as a client, will not be responsible for providing you with the protections afforded to clients, and is not advising you on the relevant transaction or stock. This communication or any part of it do not form the basis of and should not be relied upon in connection with any contract.

Allenby uses reasonable efforts to obtain information from sources which it believes to be reliable. The communication has been prepared without any substantive analysis undertaken into the companies concerned or their securities, and it has not been independently verified. No representation or warranty, express or implied is made, or responsibility of any kind accepted by Allenby its directors or employees as to the accuracy or completeness of any information in this communication. Opinions expressed are our current opinions as of the date appearing on this material only and are subject to change without notice. There is no regular update series for research issued by Allenby.

No recommendation is being made to you; the securities referred to may not be suitable for you and this communication should not be relied upon in substitution for the exercise of independent judgement. Neither past performance or forecasts are a reliable indication of future performance and investors may realise losses on any investment. Allenby shall not be liable for any direct or indirect damages including lost profits arising from the information contained in this communication.

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

This communication is supplied to you solely for your information and may not be reproduced or redistributed to any other person or published in whole or part for any purpose. It is not intended for distribution or use outside the European Economic Area except in circumstances mentioned below in relation to the United States. This communication is not directed to you if Allenby is prohibited or restricted by any legislation or registration in any jurisdiction from making it available to you and persons into whose possession this communication comes should inform themselves and observe any such restrictions.

Allenby 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 does not accept liability. By accepting this communication, you agree that you have read the above disclaimer and to be bound by the foregoing limitations and restrictions.

Research Recommendation Disclosure

Matt Butlin is the author of this research recommendation and is employed by Allenby Capital Limited as an Equity Analyst. 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. 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. Allenby Capital acts as Nomad and broker to Cluff Natural resources plc.

Allenby Capital, 5 St Helen's Place London EC3A 6AB, +44 (0)20 3328 5656, www.allenbycapital.com