Cluff Natural Resources plc / Index: AIM / Epic: CLNR / Sector: Natural Resources
5 September 2014

Cluff Natural Resources plc ('CNR' or 'the Company')
Interim Results

Cluff Natural Resources plc, the AIM quoted natural resources investing company, is pleased to announce its unaudited interim results for the six month period ended 30 June 2014.

Highlights

- Built a portfolio of Underground Coal Gasification ('UCG') Licences inshore UK aiming to combat the UK's energy needs
    - Three additional licences added to the portfolio post period end – CNR now owns 100% of eight licences totalling 61,274 hectares
- Strategy to unlock the energy potential in the UK via the UCG process which involves targeting stranded coal and converting it into syngas in an environmentally clean and safe process
- Entering planning phase of business plan for the UCG assets
    - Engaging with potential end customers
    - Considering joint venture arrangements
- Further strengthened management team with the appointment of ex Exploration Manager of Dart Energy Limited, Andrew Nunn, as Senior Project Manager – significant experience in unconventional gas resources in the UK and the EU
- Continuing to pursue additional conventional natural resources opportunities in line with investing policy and to create further value for shareholders
- Strong cash position of £2.18 million (31 December 2013: £2.93 million; 30 June 2013: £1.80 million)
- Cash used in operations for the period of £757,991 (2013: 796,027)
- Loss for the period of £809,052 (2013: £853,156)

Chairman and Chief Executive's Statement

Since my last statement, your Company and its management team have strived to advance the cause of Underground Coal Gasification ('UCG') in the United Kingdom in order to unlock the energy potential of this nation. Although there is little new technology involved in the UCG process and an increasing number of UCG sites worldwide, this remains a pioneering task since the recovery of gas from offshore coal using UCG has not yet been performed offshore. We consider that the UK is the most appropriate setting in which to do this because not only is there a colossal tonnage of coal around our coastal waters but we have a chronic requirement to replace North Sea oil and gas production. Shale gas and hydro-electric power will doubtless play their part in the energy formula which will replace conventional hydrocarbon production. It is our judgement, however, that offshore UCG will evolve into being the most important of these sources by reason of the scale of the resource available in the UK and its deliverability and because it is largely a continuation of North Sea production by another means.

I am pleased to record that the Coal Authority has awarded the Company an additional three licences since I last reported, in England at Durham North, Durham South and Maryport in Cumbria, bringing the total area of our eight licences to 61,274 hectares.

We are now entering the planning phase of our business plan for our UGC assets and are also engaging with potential end customers and are considering the merits of joint venture arrangements on a licence by licence basis.

Your management is committed to the cause of UCG in the UK because we are satisfied that it poses negligible risk or threat to the environment, that it has a number of commercial and operational advantages over other forms of unconventional energy and it is manifestly a matter of national importance to liberate this massive energy source to provide for the renaissance of much of Britain's industry, in particular the petro-chemical industry.

Notwithstanding the above, the natural resources sector is experiencing a difficult phase and we believe we have a duty to shareholders to participate in the recovery of conventional hydrocarbon sources along with our UCG aspirations. Accordingly we are continuing to pursue additional conventional natural resources opportunities in line with our investing policy.

Finally, we made an important addition to our management team in May 2014 with the appointment of Andrew Nunn as our Senior Project Manager. Andrew joined us from Dart Energy Limited where, as Exploration Manager, he was responsible for the planning and execution of their coal bed methane, shale gas and tight oil and gas exploration projects across Europe. With his extensive experience in both alternative energy and oil and gas in Europe and abroad, Andrew will be a valuable addition to the team as we move closer to unlocking the energy potential in the UK via the UCG process whilst simultaneously evaluating conventional opportunities.

Financial Review

In the six months to 30 June 2014 the Company incurred expenditure in the acquisition, assessment and appraisal of various licence areas and opportunities in addition to on-going administrative expenditure. This resulted in a loss for the period of £809,052 (2013: £853,156).

Cash used in operations for the six months to 30 June 2014 totalled £757,991 (2013: 796,027), with an overall reduction in cash of £749,233 (2013: £804,841).

Cash balances as at 30 June 2014 stood at £2.18 million (31 December 2013: £2.93 million; 30 June 2013: £1.80 million).

JG Cluff
Chairman and Chief Executive

Investing policy

In addition to the development of the UCG licences CNR 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.

The Directors believe that the Investing Policy can be substantially implemented within 18 months of Admission. If this is not achieved, the Company will seek Shareholder consent for its Investing Policy or any changes thereto at the next annual general meeting of the Company and on an annual basis thereafter, until such time that its Investing Policy has been implemented. If it appears unlikely that the Investing Policy will be achieved, the Directors may consider returning the remaining funds to Shareholders.

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.

UNAUDITED INCOME STATEMENT
Six months to 30 June 2014

	Note	6 months to 30 June 2014 Unaudited £	6 months to 30 June 2013 Unaudited £	Year ended 31 December 2013 Audited £
Administrative expenses		(822,876)	(853,977)	(1,932,389)
Operating loss		(822,876)	(853,977)	(1,932,389)
Finance income		13,824	821	4,090
Loss on ordinary activities before taxation		(809,052)	(853,156)	(1,928,199)
Tax on loss on ordinary activities		-	-	-
Loss for the financial period		(809,052)	(853,156)	(1,928,199)
Loss per ordinary share (pence) – From continuing operations: basic and diluted	**3**	(0.52)p	(0.98)p	(1.99)p

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
Six months to 30 June 2014

	6 months to 30 June 2013 Unaudited £	6 months to 30 June 2013 Unaudited £	Year ended 31 December 2013 Audited £
Loss for the period	(809,052)	(853,156)	(1,928,199)
Total comprehensive income for the period	(809,052)	(853,156)	(1,928,199)

UNAUDITED BALANCE SHEET
At 30 JUNE 2014

	Note	30 June 2014 Unaudited £	30 June 2013 Unaudited £	31 December 2013 Audited £
NON-CURRENT ASSETS				

	Note			
Intangible Assets		21,429	12,937	18,158
Property, Plant and Equipment		12,574	17,576	15,207
Investment in subsidiary		1	-	1
Other receivables		53,688	53,688	53,688
		87,692	84,201	87,054
CURRENT ASSETS				
Trade and other receivables		125,779	272,862	145,148
Cash and cash equivalents		2,182,038	1,797,286	2,931,271
		2,307,817	2,070,148	3,076,419
TOTAL ASSETS		2,395,509	2,154,349	3,163,473
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				
Share capital	**4**	775,000	435,000	775,000
Share premium account		4,454,287	2,867,376	4,454,287
Share-based payment reserve		543,937	433,269	463,127
Retained deficit		(3,510,418)	(1,674,886)	(2,701,366)
TOTAL EQUITY		2,262,806	2,060,759	2,991,048
CURRENT LIABILITIES				
Trade and other payables		132,703	93,590	172,425
TOTAL LIABILITIES		132,703	93,590	172,425
TOTAL EQUITY AND LIABILITIES		2,395,509	2,154,349	3,163,473

UNAUDITED STATEMENT OF CHANGES IN EQUITY
Six months to 30 June 2014

	Share capital	Share premium	Share based payment reserve	Retained deficit	Total
	£	£	£	£	£
For the period ended 30 June 2014					
At 1 January 2014	775,000	4,454,287	463,127	(2,701,366)	2,991,048
Loss for the period	-	-	-	(809,052)	(809,052)
Total comprehensive loss for the period	-	-	-	(809,052)	(809,052)
Share-based payment	-	-	80,810	-	80,810
At 30 June 2014	775,000	4,454,287	543,937	(3,510,418)	2,262,806

For the period ended 30 June 2013					
At 1 January 2013	435,000	2,867,376	322,944	(821,730)	2,803,590
Loss for the period	-	-	-	(853,156)	(853,156)
Total comprehensive loss for the period	-	-	-	(853,156)	(853,156)
Share-based payment	-	-	110,325	-	110,325
At 30 June 2013	435,000	2,867,376	433,269	(1,674,886)	2,060,759
For the period ended 31 December 2013					
At 1 January 2013	435,000	2,867,376	322,944	(821,730)	2,803,590
Loss for the year	-	-	-	(1,928,199)	(1,928,199)
Total comprehensive loss for the period	-	-	-	(1,928,199)	(1,928,199)
Issue of share capital	340,000	1,720,000	-	-	2,060,000
Expense of issue	-	(133,089)	-	-	(133,089)
Share-based payment	-	-	188,746	-	188,746
Expired/lapsed options	-	-	(48,563)	48,563	-
At 31 December 2013	775,000	4,454,287	463,127	(2,701,366)	2,991,048

UNAUDITED STATEMENT OF CASH FLOWS

Six months to 30 June 2014

	6 months to 30 June 2014	6 months to 30 June 2013	Year ended 31 December 2013
	Unaudited	Unaudited	Audited
	£	£	£
Cash flows from operating activities			
Loss before taxation	(809,052)	(853,156)	(1,928,199)
Adjustments for:			
Investment income	(13,824)	(821)	(4,190)
Depreciation	2,633	2,500	5,039
Amortisation	1,101	750	1,663
Shares issued to contractors for services	-	-	60,000
Share-based payments	80,810	110,325	188,746
Directors’ remuneration settled in shares	-	-	33,335
	(738,332)	(740,402)	(1,643,606)
Decrease in trade and other receivables	20,061	23,597	118,495

Decrease in trade and other payables	(39,720)	(79,222)	(387)
Net cash used in operating activities	(757,991)	(796,027)	(1,525,498)
Cash flows from investing activities			
Purchase of intangible assets	(4,373)	(7,937)	(14,070)
Purchase of property, plant and equipment	-	(877)	(1,047)
Interest received	13,131	-	2,849
Investment in subsidiary	-	-	(1)
	8,758	(8,814)	(12,269)
Cash flows from financing activities			
Proceeds from share issue	-	-	2,000,000
Expense of share issue	-	-	(133,089)
	-	-	1,866,911
Net (decrease) / increase in cash and cash equivalents	(749,233)	(804,841)	329,144
Cash and cash equivalents at beginning of period	2,931,271	2,602,127	2,602,127
Cash and cash equivalents at end of period	2,182,038	1,797,286	2,931,271

Notes to the financial information

Six months to 30 June 2014

1. GENERAL

The interim financial information for the six months to 30 June 2014 is unaudited and was approved by the Directors of the Company on [4 September] 2014. The condensed financial information set out above does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The interim financial information is unaudited.

The Company's operations are not subject to seasonality or cyclicality.

No dividend has been declared or paid in this interim period.

2. ACCOUNTING POLICIES

The interim financial information in this report has been prepared on the basis of the accounting policies set out in the audited financial statements for the period ended 31 December 2013, which complied with International Financial Reporting Standards as adopted for use in the European Union ("IFRS").

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee and there is an on-going process of review and endorsement by the European Commission.

The financial information has been prepared using accounting policies that the Directors expect to be applicable as at 31 December 2014, with the exception of IAS 34 Interim Financial Reporting.

The Directors have adopted the going concern basis in preparing the financial information. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant available information about the foreseeable future.

The condensed financial information for the period ended 31 December 2013 set out in this interim report does not comprise the Group's statutory accounts as defined in section 434 of the Companies Act 2006.

The statutory accounts for the period ended 31 December 2013, which were prepared under IFRS, have been delivered to the Registrar of Companies. The auditors reported on these accounts; their report was unqualified; did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006, and did not include reference to any matters to which the auditor drew attention by way of emphasis.

3. LOSS PER SHARE

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 period.

Given the Company's reported loss for the period, share options and warrants are not taken into account when determining the weighted average number of ordinary shares in issue during the year and therefore the basic and diluted loss per share are the same.

Basic and diluted loss per share

	6 months to 30 June 2014	6 months to 30 June 2013	Year to 31 December 2013
Loss per share from continuing operations	(0.52)p	(0.98)p	(1.99)p

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

	6 months to 30 June 2014 £	6 months to 30 June 2013 £	Year to 31 December 2013 £
Loss used in the calculation of total basic and diluted earnings per share	(809,052)	(853,156)	(1,928,199)

Number of shares	6 months to 30 June 2014 Number	6 months to 30 June 2013 Number	Year to 31 December 2013 Number
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	155,000,000	87,000,000	93,694,977

If the Company's share options and warrants were taken into consideration in respect of the Company's weighted average number of ordinary shares for the purposes of diluted earnings per share, it would be as follows:

Number of shares	6 months to 30 June 2014	6 months to 30 June 2013	Year to 31 December 2013
Potential dilutive effect of share options and warrants	49,648,840	47,922,873	49,393,425
Weighted average number of ordinary shares for the purposes of diluted earnings per share	204,648,840	134,922,873	146,088,402

4. SHARE CAPITAL

a) Share Capital

The Company has one class of Ordinary share which carries no right to fixed income nor has any preferences or restrictions attached.

Issued and fully paid:

	30 June 2014 £	30 June 2013 £	31 December 2013 £
155,000,000 Ordinary shares of £0.005p each (June 2013: 87,000,000 Ordinary shares)	775,000	435,000	775,000

5. COPIES OF INTERIM REPORT

Copies of the interim report are available to the public free of charge from the Company at Cluff Natural Resources Plc, Third Floor, 5-8 The Sanctuary, London SW1P 3JS during normal office hours, Saturdays and Sundays excepted, for 14 days from today and are available on the website at www.cluffnaturalresources.com.

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