Cluff Natural Resources Plc / Index: AIM / Epic: CLNR / Sector: Natural Resources

30 August 2017

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

Cluff Natural Resources Plc, the AIM quoted natural resources investing company, is pleased to announce its interim results for the six months ended 30 June 2017.

Highlights

- Scoping Study on Cadence-Scremerston and Basset Bunter prospects on Licence P2248 in Southern North Sea indicated robust economics and highly positive NPVs in various development scenarios
- Implied extrapolated NPV (un-risked) of £697 million for the six identified prospects on P2248
- Data room opened to secure partner(s) to participate in drilling exploration wells on the Company's licences
- Significant level of interest for farm-out - in dialogue with several interested parties
- Actively pursuing a number of production and appraisal investment opportunities
- Cash position of £893,000 as at 30 June 2017 (31 December 2016: £1.7 million; 30 June 2016: £955,000)
- Cash used in operations for the period £687,508 (H1 2016: £665,836)
- Loss for the period £774,288 (H1 2016: £662,473)

Chairman and CEO's Statement

Whilst we have added significant technical clarity to our two licences in the Southern North Sea, it is difficult to fully articulate the effort which we have invested in promoting the farm-out of these licences; in pursuing our strategy to add additional assets to our portfolio; and in preparing our bidding strategy for the UK's 30th Licensing Round, frustratingly delayed by the recent General Election. However, the Operating Review sets out in detail the progress which we have made during the period.

In April, we published a Scoping Study prepared by Xodus Group which indicated robust economics for a range of development options for just two of our lower risk prospects on Licence P2248: the Cadence-Scremerston Prospect and the Bassett Bunter Sandstone. The Study indicated highly positive NPV values in various P50 (Prospective Resources) development scenarios for both of these prospects and an implied extrapolated un-risked NPV for the six identified prospects on Licence P2248 of £697 million.

Independent confirmation of these prospects' commercial viability reinforces the Company's view of the quality of our existing assets and, as such, facilitating the drilling of one or more of our Southern North Sea gas prospects remains our absolute priority. We have had a very encouraging response to our farm-out process and are in dialogue with a number of major oil and gas companies. The sector has recently been characterised by a spate of large M&A deals involving major regional players which has, we believe, limited the ability of such companies to make investment decisions while deals complete. However, it is anticipated that as these deals are completed, more focussed E&P businesses are emerging with an enhanced ability to invest in exploration in the Southern North Sea.

The 30th Licencing Round, announced on 25 July 2017, represents an exhilarating challenge. Over 800 blocks have been made available for application by the UK's Oil & Gas Authority, which includes a large inventory of prospects and undeveloped discoveries. The Round closes on 21 November 2017 and awards are expected to be made in Q2 2018. The 30th Round provides us with the opportunity to further expand our portfolio of North Sea licences and to take advantage of the more flexible "Innovate" licence regime. We have already identified our target blocks and our technical work to support our applications is well underway.

Meanwhile, in addition to our intention to participate in the 30th Round, we are committed to further diversifying our portfolio with an investment in one or more oil and gas assets. We have been actively pursuing a number of opportunities, including both onshore and offshore production and appraisal assets which offer cash flow and, in the case of appraisal, significant value enhancement, as and when commerciality is demonstrated. It is my objective that we shall complete one or more of these deals in the short to medium term.

There is so much focus now in the UK on heavily subsidised renewables that the North Sea seems to have receded in significance and yet, there remains in the North Sea, not only massive infrastructure, but also the potential for discoveries of new reserves of oil and particularly of gas, of which the UK is badly in need. Ten years ago, the UK was self-sufficient in gas, whereas now we import over 50% of our requirement from, *inter alia*, Norway, Qatar, Algeria, Russia and Peru! This figure is increasing at an alarming rate and security, as well as commerciality, must dictate that the North Sea is an absolute priority for exploration.

Therefore, our mission is three-pronged: to farm-out our existing licences and achieve drilling; to invest in additional assets; and to add to our portfolio via participation in the 30th Round.

Operating Review

Existing Licences – P2248 and P2252

Technical work has continued on the Company's 100% owned assets P2248 and P2252 located in the Southern North Sea. In response to initial constructive feedback received at the outset of the data room process, the work has primarily focussed on addressing the key risks associated with prospects and has significantly increased the geological chance of success associated with a number of the prospects.

The key emphasis has been on quantifying the fault seal risk associated with the Cadence prospect on Licence 2248 and the potential for direct hydrocarbon indicators (DHIs) to be associated with amplitude anomalies for each of the Bunter prospects.

The detailed structural analysis of the Cadence prospect has demonstrated clear fault linkages and the potential for the faults to support very significant hydrocarbon column heights within the Cadence structure and the Scremerston Formation in particular. The analysis of the amplitude versus offset (AVO) characteristics of the anomalies associated with each of the three Bunter Sandstone prospects has clearly demonstrated a response which is analogous to neighbouring fields and discoveries but which is not observed elsewhere across the block. The results of the work have positively impacted the view on technical risk associated with the prospects and updated information has recently been communicated to those parties involved in the data room process.

Following on from the Competent Persons Report published in December 2016 an economic feasibility study was also completed for key prospects on P2248 by Exodus Group. The analysis indicated attractive economics for standalone prospects and significant upside if exploration proved gas on multiple prospects. NPV_{10} valuations of £47.6 million and £41.8 million, for Cadence Scremerston and the Bassett Prospect respectively, combined with payback periods of less than three years and robust economics down to a gas price of 35p/therm provide significant justification for the proposed exploration drilling campaign on P2248.

Farm-out Process

Conditions within the UK Continental Shelf have remained challenging for investment at the asset level, with limited farm-in activity reported within the Southern North Sea during the previous six months. We believe that this has been largely driven by large corporate level M&A deals which have seen a number of key regional players effectively paralysed while announced transactions complete and newly acquired portfolios are assessed in detail. While frustrating in the short term, the Board is encouraged by the level of M&A activity in the UK North Sea which demonstrates significant ongoing interest in the basin. The Board is also of that view that many of the transactions, which involve separating oil and gas exploration divisions from risk averse utilities and conglomerates, will be highly positive for the UK Continental Shelf in the medium to longer term and will result in the formation of new focussed and funded E&P companies with a vested interest in exploration within the Southern Gas Basin.

As mentioned in the Chairman and CEO's statement, the Company has seen further interest from new parties in viewing the data room and remains in dialogue with those companies who have shown significant interest in the portfolio to date. The farm-out process is however taking longer than anticipated. We will continue to review market conditions and appetite with respect to achieving the best possible result from the ongoing process, as well as investigating alternative financing options for progressing drilling on selected prospects.

As licences P2252 and P2248 are due to expire on 30 November 2017 the Company has also applied to the Oil & Gas Authority for a continuation of licences P2252 and P2248 beyond this date should additional time to conclude the farm-out process be required.

30th Offshore Licencing Round Participation

The UK's 30th Offshore Licencing Round was announced by the Oil & Gas Authority on 25 July 2017 with over 800 blocks in the mature areas of the UKCS on offer. The Company intends to be an active participant in this process and has high graded a number of potential targets, including blocks which contain existing discoveries and significant exploration upside. The round is open for 120 days with applications to be submitted before 21 November 2017 with licence awards expected in Q2 2018.

Portfolio Growth

In addition to organic growth via licencing rounds the Company has evaluated a number of more mature opportunities including lower risk, higher impact appraisal projects and minority stakes in a number of producing assets. Detailed assessment continues on selected opportunities and the Company will continue to actively seek appropriate exploration, appraisal and production opportunities which have the potential to de-risk the portfolio and add significant shareholder value.

Financial Review

In the six months to 30 June 2017 the Company incurred a loss for the period of £774,288 compared with a loss of £662,473 for the six months to 30 June 2016.

The current period loss includes non-cash share based payment charges of £86,263, compared with £62,240 for the six months to 30 June 2016.

Cash used in operations for the six months to 30 June 2017 was £687,508 (2016: £665,835). In addition, £148,419 of expenditure incurred was capitalised (six months to 30 June 2016: £174,189) representing costs directly related to the development of the Company's two 100% owned Southern North Sea licences.

Cash balances as at 30 June 2017 stood at £892,969 (31 December 2016: £1,707,910; 30 June 2016: £955,035).

No ordinary shares have been issued since the Company's issue of shares in November 2016. Therefore, the number of ordinary shares in issue at 30 June 2017 remains unchanged at 329,393,532.

In May 2017 warrants over 9,340,000 ordinary shares expired, leaving no further warrants outstanding over the Company's ordinary shares.

In the financial statements for the year to 31 December 2016 the Company stated that based on the cash balance at year end, and the Company's commitments, the Company had adequate financial resources to cover its budgeted exploration and development programme until the fourth quarter of 2017. Based on current cash balances and the Company's commitments, the funding position remains unchanged. Further funding will therefore be required during the fourth quarter of 2017 to allow the Company to meet its commitments and to fully implement its strategy beyond this period. The Board anticipates that these further funds will be raised, most likely by way of equity, as the Company has done successfully in the past.

JG Cluff
Chairman & Chief Executive
30 August 2017

Qualified Person

Andrew Nunn, a Chartered Geologist and Chief Operating Officer 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.

UNAUDITED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE LOSS
Period ended 30 June 2017

	Note	Period ended 30 June 2017 Unaudited	Period ended 30 June 2016 Unaudited	Year ended 31 December 2016 Audited
		£	£	£
Administrative expenses:				
Other administrative expenses		(775,009)	(664,351)	(1,416,127)
Impairment of exploration and evaluation assets		-	-	(318,407)
Total administrative expenses		(775,009)	(664,351)	(1,734,534)
Operating loss		(775,009)	(664,351)	(1,734,534)
Finance income		721	1,878	3,928
Loss before taxation		(774,288)	(662,473)	(1,730,606)
Taxation		-	-	-
Loss and comprehensive loss for the period attributable to equity holders of the Company		(774,288)	(662,473)	(1,730,606)
Loss per ordinary share (pence) – From continuing operations: basic and diluted	3	(0.24)p	(0.30)p	(0.70)p

UNAUDITED BALANCE SHEET
At 30 JUNE 2017

	Note	30 June 2017	30 June 2016	31 December 2016
		Unaudited	Unaudited	Audited
		£	£	£
NON-CURRENT ASSETS				
Intangible Assets		701,589	600,071	554,498
Property, Plant and Equipment		4,170	3,169	3,885
Investment in subsidiary		-	501	1,101
Other receivables		53,688	53,688	-
		759,447	657,429	559,484
CURRENT ASSETS				
Trade and other receivables		34,629	128,755	196,724
Cash and cash equivalents		892,969	955,035	1,707,910
		927,598	1,083,790	1,904,634
TOTAL ASSETS		1,687,045	1,741,219	2,464,118
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				
Share capital	4	1,646,967	1,286,967	1,646,967
Share premium		7,761,977	6,425,099	7,761,977
Share-based payment reserve		668,456	500,346	582,193
Accumulated retained deficit		(8,524,184)	(6,705,811)	(7,749,896)
TOTAL EQUITY		1,553,216	1,506,601	2,241,241
CURRENT LIABILITIES				
Trade and other payables		133,829	234,618	222,877
TOTAL LIABILITIES		133,829	234,618	222,877
TOTAL EQUITY AND LIABILITIES		1,687,045	1,741,219	2,464,118

UNAUDITED STATEMENT OF CHANGES IN EQUITY
Period ended 30 June 2017

	Share capital	Share premium	Share-based payment reserve	Accumulated Retained deficit	Total equity
	£	£	£	£	£
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 period	-	-	-	(774,288)	(774,288)
Total comprehensive loss for the period	**-**	**-**	**-**	(774,288)	(774,288)
Contributions by and distributions to owners					
Share-based payment	-	-	86,263	-	86,263
Total contributions by and distributions to owners	-	-	86,263	-	86,263
Balance at 30 June 2017 (Unaudited)	1,646,967	7,761,977	668,456	(8,524,184)	1,553,216
Balance at 1 January 2016	996,111	6,037,175	529,292	(6,134,524)	1,428,054
Comprehensive income for the year					
Loss for the period	-	-	-	(662,473)	(662,473)
Total comprehensive loss for the period	-	-	-	(662,473)	(662,473)
Contributions by and distributions to owners					
Issue of shares	290,856	436,284	-	-	727,140
Costs of share issue	-	(48,360)	-	-	(48,360)
Share-based payment			62,240	-	62,240
Expired/lapsed options	-	-	(91,186)	91,186	-
Total contributions by and distributions to owners	290,856	387,924	(28,946)	91,186	741,020
Balance at 30 June 2016 (Unaudited)	1,286,967	6,425,099	500,346	(6,705,811)	1,506,601
Balance at 1 January 2016	996,111	6,037,175	529,292	(6,134,524)	1,428,054
Comprehensive income for the year					
Loss for the year	-	-	-	(1,730,606)	(1,730,606)
Total comprehensive loss for the year	-	-	-	(1,730,606)	(1,730,606)
Contributions by and distributions to owners					
Issue of shares	650,856	1,876,284	-	-	2,527,140
Costs of share issue	-	(151,482)	-	-	(151,482)
Share-based payment	-	-	168,135	-	168,135
Expired/lapsed options	-	-	(115,234)	115,234	-
Total contributions by and distributions to owners	650,856	1,724,802	52,901	115,234	2,543,793
Balance at 31 December 2016 (Audited)	1,646,967	7,761,977	582,193	(7,749,896)	2,241,241

UNAUDITED CASHFLOW STATEMENT

Period ended 30 June 2017

	Period ended 30 June 2017	Period ended 30 June 2016	Year ended 31 December 2016
	Unaudited	Unaudited	Audited
	£	£	£
Cash flows from operating activities			
Loss before taxation	(774,288)	(662,473)	(1,730,606)
Adjustments for:	-		
Finance income	(721)	(1,878)	(3,928)
Depreciation	835	2,721	3,838
Amortisation	1,327	2,246	3,798
Impairment of intangibles	-	-	318,407
Share-based payments	86,263	62,240	168,135
	(686,584)	(597,144)	(1,240,356)
(Increase) / decrease in trade and other receivables	86,632	(41,403)	(54,679)
(Decrease) / increase in trade and other payables	(87,555)	(27,288)	(39,030)
Net cash used in operating activities	(687,508)	(665,835)	(1,334,065)
Cash flows from investing activities			
Purchase of intangible assets	(148,419)	(174,189)	(448,575)
Purchase of property, plant and equipment	(1,120)	-	(1,833)
Interest received	721	2,227	3,273
Investment in subsidiary	(390)	-	(600)
Net cash used in investing activities	(149,208)	(171,962)	(447,735)
Cash flows from financing activities			
Proceeds on settlement of related party loan	21,774	-	-
Proceeds from share issue	-	727,140	2,527,140
Expense of share issue	-	(48,360)	(151,482)
Net cash from financing activities	21,774	678,780	2,375,658
Increase / (decrease) in cash and cash equivalents	(814,941)	(159,017)	593,858
Cash and cash equivalents at beginning of period / year	1,707,910	1,114,052	1,114,052
Cash and cash equivalents at end of period / year	892,969	955,035	1,707,910

Notes to the financial information

Period ended 30 June 2017

1. GENERAL

The interim financial information for the period to 30 June 2017 is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

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 2016, 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 on the basis of IFRS that the Directors expect to be applicable as at 31 December 2017, 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 2016 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 year ended 31 December 2016, which were prepared under IFRS, have been delivered to the Registrar of Companies. The auditors reported on these accounts; their report was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The report did however include reference to matters which the auditors drew attention by way of emphasis regarding going concern.

In the financial statements for the year to 31 December 2016 the Company stated that based on the cash balance at year end, and the Company's commitments, the Company had adequate financial resources to cover its budgeted exploration and development programme until the fourth quarter of 2017. Based on current cash balances and the Company's commitments, the funding position remains unchanged. Further funding will therefore be required during the fourth quarter of 2017 to allow the Company to meet its commitments and to fully implement its strategy beyond this period. The Board anticipates that these further funds will be raised, most likely by way of equity, as the Company has done successfully in the past.

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

	Period ended 30 June 2017	Period ended 30 June 2016	Year ended 31 December 2016
Loss for the period (£)	(774,288)	(662,473)	(1,730,606)
Weighted average number of ordinary shares (number)	329,393,532	220,809,251	246,340,146
Loss per share from continuing operations	(0.24)p	(0.30)p	(0.70)p

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 2017	30 June 2016	31 December 2016
	£	£	£
329,393,532 ordinary shares of £0.005p each (June 2016: 257,393,532 ordinary shares)	1,646,967	1,286,967	1,646,967

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 Company's website at www.cluffnaturalresources.com.

Investing policy

In addition to the development of the UCG and North Sea licences CLNR 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."

****ENDS****

For further information please contact the following:

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