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

3 September 2018

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

Interim Results

Cluff Natural Resources Plc, the AIM quoted natural resources investing company with a high impact exploration and appraisal portfolio focused on the Southern North Sea gas basin, is pleased to announce its interim results for the six months ended 30 June 2018.

Highlights

- Awarded six licences by the UK Oil and Gas Authority covering 10 full and part blocks in the Central and Southern North Sea, in the UK's 30th Offshore Licencing Round
- Extension of licences P2248 and P2252 to 30 November 2018 secured
- Farm-out process ongoing; in dialogue with several parties
- £2.75 million (gross) raised by way of equity
- Cash position of £0.9 million as at 30 June 2018 (31 December 2017: £1.0 million; 30 June 2017: £0.9 million)
- Further £2.0 million (gross) from placing and subscription received post period end
- Loss for the period £794,481 (H1 2017: £774,288)
- Cash used in operations for the period £723,830 (H1 2017: £687,507)

Chairman's Statement

As I write this interim statement I can reflect for the first time for some years that I do so against a manifestly improved outlook for the United Kingdom Continental Shelf. There are a number of reasons for this; clearly the price of oil and gas render what used to be pejoratively referred to as 'marginal fields' much more profitable. In addition, the presence of infrastructure and a market, within the context of a regulated system, is finding appeal within an industry wary of the vagaries of many Governments' freewheeling approach. The implementation of many of the recommendations contained in the Wood Report, in particular the establishment of the Oil and Gas Authority, has also sent positive signals to the industry that the North Sea is regarded by the authorities as an important national asset, which was certainly not the case during the previous Chancellor of the Exchequer's tenure in office. I therefore contend that the North Sea has resumed its place as one of the most interesting and prospective basins in the world.

This evolution has been assisted by the success of the 30th Offshore Licensing Round of awards. Your Company is one of the principal beneficiaries of that round, having added ten full and part blocks to our portfolio both in the Southern North Sea, where we now have control of a significant area, and in the oil prospective Central North Sea. We have been greatly enthused by this result, providing as it does an abundance of exploration targets for many years.

Meanwhile, our endeavour to find a formula to enable an appropriate drilling campaign to be implemented on our existing 28th Offshore Licensing Round blocks occupies much of our time and energy. It is imperative that the highly prospective characteristics of the geology, contained in these blocks, be drilled and shareholders should know that we are working tirelessly to realise that objective.

The febrile state of the world, arguably more unstable than at any time since World War II, suggests that our portfolio of licences represents a valuable strategic hedge in the event of the disruption of commodity supplies. Whilst North Sea oil and gas is most likely neutral in the Brexit sense there clearly are a range of scenarios of crisis points now, of which perhaps the most alarming would arise from the closure of the Straits of Hormuz should the Iranian challenge escalate. Secure capacity accordingly is of no less importance now than at any other time in our history. European gas prices are now at a three year high and gas in storage is sharply lower than last year. Trouble is looming.

One of the curious features of the North Sea recently has been the tendency for private equity funds to buy cash flow from the major oil companies. Apart from inevitably paying a full price for this production these funds have up until now had less focus on exploration. That is one of the reasons exploration in the North Sea has declined. However, I am confident that with the revival of interest in the North Sea will come a revival of exploration, the life blood of the industry, and that in my next statement I shall be able to refer to a drilling programme on our licences.

JG Cluff
Chairman
3 September 2018

Chief Executive's Statement

The first half of 2018 has seen further significant progress with the Company ending the period with a greatly enhanced and diversified portfolio of investment assets and a prospective (P50) resource base which has almost doubled. The Company has also strengthened its balance sheet, ending the period in a much stronger financial position, while continuing to drive forward our plans for exploration wells to be drilled on our existing licences.

Operationally, our technical team have continued to carry out extensive technical work on our existing licences. This reprocessing and inversion work has further enhanced our understanding of the various prospects on our portfolio of licences, increasing the chances of geological success on both the Bunter and Carboniferous prospects on Licence P2248. This work has been completed such that our key prospects are now effectively drill ready.

The farm-out process has continued and remains our priority. Levels of farm-out activity has remained relatively quiet in early 2018 with exploration budgets amongst major operators still limited as they have focussed investment on maintaining existing production after a prolonged period of depressed oil and gas prices. However, as majors, and other operators finally turn their attention to reserves replacement and ultimately exploration, we have experienced a marked increase in the level of interest in our assets and the farm-in. We remain in dialogue with several parties and currently have multiple parties active in our data room.

At the end of May 2018, the Company announced that the Oil & Gas Authority had granted an extension of licences P2248 and P2252 to 30 November 2018, subject to technical and commercial milestones including a drill or drop decision being made by 30 September 2018. The Company believes that it has met the technical milestones and, as previously mentioned is in dialogue with several farm-in partners. If, however, a farm-out of either licence is not concluded in time to allow a drill or drop commitment to be made before 30 September 2018, the Company will, as it has done in the past, seek a deferral of this milestone from the Oil & Gas Authority to allow further time to secure the necessary investment to commit to drilling.

On 23 May 2018 we were pleased to announce that the Company had been provisionally awarded licences covering 10 full and part blocks, by the UK Oil and Gas Authority. Formal award of these licences was announced on 30 August 2018. These blocks are viewed by the Board as being highly prospective with many containing undeveloped discoveries and exploration upside which significantly enhances both the pipeline of potential drilling opportunities and the overall prospective resources associated with the Company's investment portfolio.

We are delighted to have been awarded these additional licences by the UK Oil & Gas Authority which are a direct result of the hard work that our technical team put into the application process. It represents a substantial award over multiple blocks which builds on the Company's core competencies focussed primarily on the Southern North Sea. While the Company's primary focus remains Southern North Sea gas, we are also very pleased to have been awarded blocks in the Central North Sea which contain oil prospects, further enhancing and diversifying our portfolio. The blocks awarded contain a number of drilled discoveries, undrilled prospects and leads and build scale, further diversifying the investment portfolio and significantly enhancing the Company's resource base which we anticipate will create a significant pipeline of future drilling opportunities.

As a result of the additional licence awards, the Company has almost doubled its P50 prospective resource base from 2.4 TCF to 4.3 TCF of gas, equivalent to c.700 million barrels of oil, while at the same time significantly diversifying our resource base. Except for one licence in which we are partnering with The Parkmead Group, all our licences are held 100%, contain multiple prospects and are located close to existing infrastructure in a proven gas basin which has enjoyed significant exploration success in recent years.

I am also very pleased to report that the Company has ended the period in a much stronger financial position than at the start of the year at which point the Company was only funded until Q2 2018. In April 2018 the Company raised £750,000, primarily from institutional investors. We chose to limit the quantum of this funding in order to minimise shareholder dilution at that price (1.6p), conscious of the fact that the UK Oil & Gas Authority had indicated that the outcome of the 30th Licensing Round was to be announced before the end of Q2. The highly successful outcome of this licensing round, culminating in the award of 10 additional full and part blocks, allowed the Company to take advantage of a stronger share price and investor appetite to raise £2 million at the end of June 2018 at 2.1p, representing a significantly higher price than in April, and thus removing uncertainty over medium-term working capital. Accordingly, the Company is now able to start the investment process in the new licences while at the same time focussing on securing a farm-out for the drilling of its P2248 and P2252 licences.

In addition to providing general working capital, the proceeds of the recent fundraising are already being used to:

• Accelerate the technical and commercial evaluation of the additional Central and Southern North Sea oil and gas licences awarded in the 30th Offshore Licensing Round and determine future drilling opportunities;
• Continue the process of seeking to secure farm-in partner(s) and/or strategic investors to fund drilling on the Company's existing licences P2248 and P2252; and
• Continue planning for a prospective multi-well drilling programme in 2019 on key exploration targets on existing licences P2248 and P2252.

The outlook for exploration and the North Sea is now beginning to look far more positive, underpinned by higher and stable oil and gas prices and dramatically reduced drilling costs. This is reflected in the increase in the interest that we have experienced in our assets from both existing operators and potential new entrants. Our immediate focus will remain to complete the process of securing farm-in partners on our P2248 and P2252 licences in order to fulfil our ambition to drill exploration wells in 2019 and we look forward to providing further updates in due course.

Graham Swindells
Chief Executive Officer
3 September 2018

Operating Review

P2248 and P2252 – 28th Round Licences

The Company remains focused on its plan to undertake a three well exploration drilling programme on licences P2248 and P2252 and has continued to invest significant time in both marketing these assets and moving technical work forward to support future drilling operations.

In response to a period of extended oil price stability above $70 a barrel and UK gas prices rising to in excess of 60p per therm, we have seen a renewed interest in the farm-out process with a number of new players undertaking data room reviews. In general, the Board is aware of certain North Sea operators making a decisive shift from production maintenance over the previous 18 months to focusing on reserves replacement as they prepare 2019 budgets.

In light of the level of renewed interest and the significant progress made to date towards implementing next year's drilling programme, if a farm-out is not agreed such that a drill or drop decision is made by 30 September, the Company will approach the UK's Oil and Gas Authority to seek additional time on these licences, as it has successfully done in the past, to allow the farm out process to continue. While there is no guarantee that the OGA will extend the 28th Round licences the Company feels it has a compelling case for licence retention in the medium term.

Whilst a farm-out to an existing North Sea operator remains the preferred route to funding future drilling, the Company recognises that in the current market more innovative approaches should also being considered to ensure the prospective drilling programme on P2248 and P2252 is progressed during 2019. The options that the Company has considered, in addition to farm-outs, include using an element of equity in licences to offset drilling and service contractor costs and potentially entering into innovative deals that will result in cash payments on well completion (i.e. bottom-hole contributions) or agreeing an option to purchase with established operators prior to undertaking well operations.

During the period reprocessing of the key VE083D survey over P2248 was completed along with inversion studies on the Bunter Sandstone on P2248 and Pensacola Reef on P2252. The reprocessing of the VE083D survey has resulted in an uplift in image quality in the Carboniferous and allowed the generation of the various outputs required to undertake the seismic inversion study at the Bunter Sandstone level. The inversion modelling output provides information on reservoir properties including a prediction of potential fluid type (ie. liquid or gas) within the target intervals and an initial review of the results indicates a good gas/fluid discrimination effect within the Bunter Sandstone. Results of this work are being integrated into the existing geological models for the respective prospects and will be used to support detailed well planning and formation evaluation requirements for each of the proposed wells.

A regional offset well review to support detailed well design and cost estimates for the prospective 2019 drilling programme was also completed during the period.

Award of 30th Round Licences

On 23 May 2018 the UK Oil and Gas Authority announced provisional award of licences in the 30th Offshore Licensing Round. On 30 August 2018 the Company confirmed that it had been formally awarded 10 blocks, including part blocks, covering 1,376km^2 consolidated into six new licences. The firm work programme associated with Phase A of the initial term of the licences is restricted to data acquisition, seismic reprocessing and sub-surface studies, and is focussed on providing greater clarity around prospect volumes and risk. The formal start date of each of the six new licences is 1 October 2018. The initial phase of each licence will be 4 years, other than licences P2424 and P2428 where the initial phase will be 3 years.

The licences awarded are primarily focused around the Company's core area in the Southern Gas Basin where a number of large scale opportunities, analogous to the Bunter Sandstone and Cadence prospects on P2248, have been mapped. The awards also diversify the portfolio with the addition of oil and condensate prospects in the Southern North Sea and a potential large-scale prospect in the tried and tested Rotliegend play in the Southern North Sea.

These awards will increase licences held from two to eight, our acreage position from 598km^2 to 1,974km^2 and our resource base from 2.4 TCF to more than 4.2 TCF (P50 Prospective Resources). The new opportunities add both scale and diversity to the portfolio and provide a potential funnel of future drilling opportunities beyond the prospective 2019 drilling programme on P2248 and P2252.

Region	Licence	Equity %	Blocks	Area km^2	Key Prospect(s)	Comments
Southern North Sea	P2424	100	42/14 42/15b	448		
	P2428	100	43/7 43/8	478	Cupertino	
	P2437	100	48/8b	228	Selene	
	P2435	25	47/10d 48/6d	90	Blackadder	The Parkmead Group is a licenced operator
Central North Sea	P2352	100	22/24f 22/25g	88	Tesla South & Dewar	
	P2384	100	22/19f	44	Manhattan Complex	

The Southern North Sea blocks awarded to CLNR contain a number of drilled discoveries, undrilled prospects and leads with an estimated combined unrisked P50 prospective resources of approximately 1.9 TCF net to CLNR. Key prospects within the Southern North Sea include Cupertino which is a large structural prospect which is strongly analogous to the Cadence structure, Cortez which is currently viewed as an analogue to Breagh and Burbank which is a conventional Bunter Sandstone structural trap with amplitude support.

Further South in the Rotliegend play, the Selene prospect on 48/8 is a long-recognised opportunity but has significant uncertainty around ultimate gas volumes contained within the structure due to issues with traditional approaches to depth conversion of seismic data. To overcome this uncertainty the Company has worked with a boutique reprocessing company who have developed an innovative approach to velocity modelling and depth conversion with potential to unlock a number of historically challenging prospects in this mature area of the Southern North Sea.

The Central North Sea blocks are located in a relatively underexplored area of the Central North Sea, adjacent to the large Marnock-Skua field. The blocks contain the Tesla Discovery (well 22/24a-11) in the Pentland Formation and the low risk Dewar prospect in the Forties Sandstone. These blocks contain multi-level oil prospectivity in the proven Fulmar, Skagerrak and Rotliegend formations and significantly diversify the Company's investment portfolio.

These 30th Round licences contain significant resource potential and provide a potential funnel of future drilling opportunities which will be matured in parallel with the prospective drilling programme on P2248 and P2252, our 28th Round licences.

Licence and Resource Summary

The licences and prospect inventory currently within the Company's investment portfolio is summarised below:

Licence	Prospect	Reservoir Formation	Discovery (D) Prospect (P) Lead (L)	Prospective Resources (BCF)			CoS %
				P90	P50	P10	
P2248	Camden	Yoredale	P	58	**160**	405	15
	Cadence	Scremerston		59	**165**	410	26
		Fell Sandstone		111	**604**	2,175	16
	Bassett	Bunter Sandstone	P	36	**128**	303	37
	Bathurst		P	119	**275**	571	22
	Beckett		P	97	**403**	892	18
P2252	Lytham	Fractured Hauptdolomite	D	52	**123**	244	49
		Carboniferous	D	12	**44**	149	30
	Fairhaven	Fractured Hauptdolomite	P	18	**45**	98	30
	Pensacola	Hauptdolomite Fringing Reef	P	113	**270**	650	20
		Reef Fill	L	67	**154**	347	16
P2424	Furasta	Bunter Sandstone	D	7.2	**17.6**	29.6	100
	Burbank		P	70	**200**	567	32
	Cortez	Scremerston	L	24	**107**	433	29
	Cortez South		L	129	**331**	732	28
P2428	Cupertino	Scremerston	L	69	**262**	914	21
		Fell Sandstone	L	147	**558**	2,090	19
P2437	Sloop	Rotliegend	D	7	**18**	38	100
	Selene		P	191	**253**	328	38
	Endymion		L	36	**48**	62	27
	Rig & Jib		L	11	**29**	58	35

P2435*	Bob (Teviot)	Rotliegend	D	2.75	**5.5**	10.25	100
	Blackadder		P	17.75	**28.25**	42.5	45
P2352	Tesla	Pentland	D	TBD			
	Dewar	Forties Sandstone	L	TBD			
	Tesla South	Pentland & Skagerrak	L	TBD			
P2384	Manhattan		L	TBD			
TOTALS**				1,454	**4,228**	11,548	

*CLNR has a 25% working equity position in P2435, The Parkmead Group is the licence's operator.
**Resources have been aggregated for simplicity but are not PRMS compliant.

Future developments

The Company is committed to drilling the existing assets and continues to advance towards a prospective multi-well drilling programme commencing in 2019. Whilst a number of hurdles, not least the securing of farm-in partner(s) and/or strategic investors to fund drilling, remain to be resolved, the initial well engineering, project schedule, detailed cost estimates and data collection requirements for each prospect are being progressed to ensure as short an interval as possible between finalisation of well funding to drilling operations.

In parallel we will begin to execute the work programmes associated with the 30th Round Licence Awards as we begin to mature these opportunities towards acquisition of 3D seismic, and in due course, future drilling operations as appropriate.

A J Nunn
Chief Operating Officer
3 September 2018

Financial Review

The Company incurred a loss for the period of £794,481 compared with a loss of £774,288 for the six months to 30 June 2017. This loss includes a non-cash share-based payment charge of £32,572, compared with £86,263 for the six months to 30 June 2017. Other administrative expenses increased mainly because of 30th Round licence expenditure, other expenditure not directly attributed to existing licences, and general overheads.

Expenditure directly relating to investment in the Company's two existing 100% owned Southern North Sea licences has been capitalised to intangible assets. Expenditure on intangible assets totalled £255,732 during the period, compared with £148,419 in the six months to 30 June 2017. This reflects ongoing technical investment in these two licences. Trade and other payables of

£373,330 (31 December 2017: £212,539) increased by £160,791 owing to payment timing, including £126,865 relating to capitalised expenditure.

The Company's cash position was £871,717 at 30 June 2018 (31 December 2017: £1,016,667; 30 June 2017: £892,969) reflecting a net cash outflow of £144,950 for the period. This cash position excludes funds of £2m (before expenses) received for the share placing and subscription announced on 27 June 2018 but not completed until 4 July 2018.

Cash used in operating activities for the six months to 30 June 2018 was £723,830 (2017: £687,507). A further £135,632 was used in investing activities (2017: £149,208) including £128,867 relating to expenditure capitalised in intangible assets (six months to 30 June 2017: £148,419).

On 26 April 2018, the Company issued 46,875,000 ordinary shares for gross proceeds of £750,000 generating a net cash inflow of £714,512 and increasing the number of ordinary shares in issue to 442,935,199 at 30 June 2018.

As a result of a further share placing and subscription announced on 27 June 2018, subsequent to the period end, 95,238,090 shares were issued for gross proceeds of £2m, increasing the number of ordinary shares in issue to 538,173,289.

In the financial statements for the year to 31 December 2017 the Company stated that the Directors were of the opinion that the Company had adequate financial resources to cover its budgeted exploration and development programme until the fourth quarter of 2018. Following the receipt of £2 million (before expenses) in July for the placing and subscription of shares announced on 27 June 2018, based on current cash balances and the Company's commitments, the Directors expect that the Company has adequate financial resources to cover its committed exploration and development programme until at least the end of the second quarter of next year.

Graham Swindells
Chief Executive Officer
3 September 2018

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
For the period ended 30 June 2018

	Note	Period ended 30 June 2018 Unaudited £	Period ended 30 June 2017 Unaudited £	Year ended 31 December 2017 Audited £
Administrative expenses		(795,000)	(775,009)	(1,591,701)
Operating loss		(795,000)	(775,009)	(1,591,701)
Finance income		519	721	1,498
Loss before tax		(794,481)	(774,288)	(1,590,203)
Income tax expense		-	-	-
Loss and comprehensive loss for the period attributable to equity holders of the Company		(794,481)	(774,288)	(1,590,203)
Loss per share from continuing operations expressed in pence per share:				
Basic and diluted	3	(0.19)p	(0.24)p	(0.46)p

UNAUDITED BALANCE SHEET
As at 30 JUNE 2018

	Note	30 June 2018 Unaudited £	30 June 2017 Unaudited £	31 December 2017 Audited £
NON-CURRENT ASSETS				
Intangible Assets		1,029,757	701,589	775,351
Property, Plant and Equipment		10,298	4,170	4,350
Other receivables		53,688	53,688	53,688
		1,093,743	759,447	833,389
CURRENT ASSETS				
Trade and other receivables		87,188	34,629	89,198
Cash and cash equivalents		871,717	892,969	1,016,667
		958,905	927,598	1,105,865
TOTAL ASSETS		2,052,648	1,687,045	1,939,254
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				
Share capital	4	2,214,675	1,646,967	1,980,300
Share premium		8,870,573	7,761,977	8,390,436
Share-based payment reserve		660,410	668,456	627,838
Accumulated retained deficit		(10,066,340)	(8,524,184)	(9,271,859)
TOTAL EQUITY		1,679,318	1,553,216	1,726,715
CURRENT LIABILITIES				
Trade and other payables		373,330	133,829	212,539
TOTAL LIABILITIES		373,330	133,829	212,539
TOTAL EQUITY AND LIABILITIES		2,052,648	1,687,045	1,939,254

UNAUDITED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2018

	Share capital £	Share premium £	Share- based payment reserve £	Accumulated Retained deficit £	Total equity £
Balance at 1 January 2018	1,980,300	8,390,436	627,838	(9,271,859)	1,726,715
Comprehensive income for the year					
Loss for the period	-	-	-	(794,481)	(794,481)
Total comprehensive loss for the period	-	-	-	(794,481)	(794,481)
Contributions by and distributions to owners					
Issue of shares	234,375	515,625	-	-	750,000
Expenses of issue	-	(35,488)	-	-	(35,488)
Share-based payment	-	-	32,572	-	32,572
Total contributions by and distributions to owners	234,375	480,137	32,572	-	747,084
Balance at 30 June 2018 (Unaudited)	2,214,675	8,870,573	660,410	(10,066,340)	1,679,318
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 2017	1,646,967	7,761,977	582,193	(7,749,896)	2,241,241
Comprehensive income for the year					
Loss for the year	-	-	-	(1,590,203)	(1,590,203)
Total comprehensive loss for the year	-	-	-	(1,590,203)	(1,590,203)
Contributions by and distributions to owners					
Issue of shares	333,333	666,667	-	-	1,000,000
Expenses of issue	-	(38,208)	-	-	(38,208)
Share-based payment	-	-	113,885	-	113,885
Lapsed warrants	-	-	(68,240)	68,240	-
Total contributions by and distributions to owners	333,333	628,459	45,645	68,240	1,075,677
Balance at 31 December 2017 (Audited)	1,980,300	8,390,436	627,838	(9,271,859)	1,726,715

UNAUDITED STATEMENT OF CASH FLOWS
For the period ended 30 June 2018

	Period ended 30 June 2018 Unaudited £	Period ended 30 June 2017 Unaudited £	Year ended 31 December 2017 Audited £
Cash flows from operating activities			
Loss before tax	(794,481)	(774,288)	(1,590,203)
Adjustments for:			
Finance income	(519)	(721)	(1,498)
Depreciation	1,334	835	1,864
Amortisation	1,327	1,327	2,655
Impairment of investment in subsidiary	-	-	1,491
Share-based payment	32,572	86,263	113,885
	(759,767)	(686,584)	(1,471,806)
Decrease in trade and other receivables	2,011	86,632	53,838
Increase / (decrease) in trade and other payables	33,926	(87,555)	(10,338)
Net cash used in operating activities	(723,830)	(687,507)	(1,428,306)
Cash flows from investing activities			
Purchase of intangible assets	(128,867)	(148,419)	(223,508)
Purchase of property, plant and equipment	(7,284)	(1,120)	(2,329)
Interest received	519	721	1,498
Investment in subsidiary	-	(390)	(390)
Net cash used in investing activities	(135,632)	(149,208)	(224,729)
Cash flows from financing activities			
Proceeds on settlement of related party loan	-	21,774	-
Proceeds from share issue	750,000	-	1,000,000
Expense of share issue	(35,488)	-	(38,208)
Net cash from financing activities	714,512	21,774	961,792
Decrease in cash and cash equivalents	(144,950)	(814,941)	(691,243)
Cash and cash equivalents at beginning of period / year	1,016,667	1,707,910	1,707,910
Cash and cash equivalents at end of period / year	871,717	892,969	1,016,667

NOTES TO THE FINANCIAL INFORMATION

For the period ended 30 June 2018

1. GENERAL

The interim financial information for the period to 30 June 2018 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 2017 together with new and amended standards applicable to periods commencing 1 January 2018, which complied with International Financial Reporting Standards as adopted for use in the European Union ("IFRS").

The Company adopted IFRS 9 'Financial Instruments' in the six month period, following the standards becoming effective for periods commencing on or after 1 January 2018.

IFRS 9 'Financial instruments' addresses the classification and measurement of financial assets and financial liabilities and replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. The adoption of IFRS 9 did not result in any material change to the consolidated results. Following assessment of the consolidated financial assets no changes to classification of those financial assets was required. The Company has applied the expected credit loss impairment model to its financial assets.

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 2018, 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 2017 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 2017, 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 2017, the Company stated that based on the cash balance at year end and the Company's commitments, following the receipt of £750,000 (before expenses) for the subscription of shares announced on 20 April 2018, the Directors were of the opinion that the Company had adequate financial resources to cover its budgeted exploration and development programme until the middle of the fourth quarter of 2018. Based on current cash balances and the Company's commitments, following receipt of £2 million (before expenses) in July from the placing and subscription of shares announced on 27 June 2018, the Directors expect that the Company has adequate financial resources to cover its committed exploration and development programme until at least the second quarter of next year.

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 2018	Period ended 30 June 2017	Year ended 31 December 2017
Loss for the period (£)	(794,481)	(774,288)	(1,590,203)
Weighted average number of ordinary shares (number)	413,152,740	329,393,532	343,914,080
Loss per share from continuing operations	(0.19)p	(0.24)p	(0.46)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 2018 £	30 June 2017 £	31 December 2017 £
442,935,199 ordinary shares of 0.5p each (30 June 2017: 329,393,532 ordinary shares)	2,214,675	1,646,967	1,980,300

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 will shortly be available on the Company's website at www.cluffnaturalresources.com.

Investing policy

In addition to the development of the North Sea gas licences the Company 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.

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.

Forward looking statements

This interim report contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business. Whilst the Directors believe the expectation reflected herein to be reasonable in light of the information available up to the time of their approval of this report, the actual outcome may be materially different owing to factors either beyond the Company's control or otherwise within the Company's control but, for example, owing to a change of plan or strategy. Accordingly, no reliance may be placed on the forward-looking statements.

Glossary of Technical Terms

PRMS: Petroleum Resources Management System (2007)

BCF: Billion Cubic Feet

Mmboe: Million barrels of oil equivalent

Prospective Resources: Are estimated volumes associated with undiscovered accumulations. These represent quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from oil and gas deposits identified on the basis of indirect evidence but which have not yet been drilled.

Chance of Success: for prospective resources, means the chance or probability of discovering hydrocarbons in sufficient quantity for them to be tested to the surface. This, then, is the chance or probability of the prospective resource maturing into a contingent resource. Prospective resources have both an associated chance of discovery (geological chance of success) and a chance of development (economic, regulatory, market and facility, corporate commitment and political risks). The chance of commerciality is the product of these two risk components. These estimates have been risked for chance of discovery but not for chance of development.

TCF: Trillion Cubic Feet

P90 resource: reflects a volume estimate that, assuming the accumulation is developed, there is a 90% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a low estimate of resource.

P50 resource: reflects a volume estimate that, assuming the accumulation is developed, there is a 50% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a median or best case estimate of resource.

P10 resource: reflects a volume estimate that, assuming the accumulation is developed, there is a 10% probability that the quantities actually recovered will equal or exceed the estimate. This is therefore a high estimate of resource.

The Prospective Resources have been presented in accordance with the 2007 Petroleum Resources Management System (PRMS) prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE), reviewed, and jointly sponsored by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE).

****ENDS****

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