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

16 September 2019

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 and Central North Sea gas basin, is pleased to announce its interim results for the six months ended 30 June 2019.

Highlights

- Completed farm-out of 70% of Licence P2252 (which contains the 309 BCF Pensacola Prospect) to Shell U.K. Ltd ("Shell"). Farm-out includes a full carry through acquisition of new 3D seismic and a contingent well commitment
    - Acquisition of 3D seismic over P2252 commenced and completed in August 2019
- Announced farm-out of 50% of Licence P2437 (which contains the 291 BCF Selene Prospect) to Shell, completing post period end in August 2019:
    - Consideration of US$600,000 (US$300,000 of which was received in the period and US$300,000 post period end)
    - Shell to pay 75% of the costs of the first well, up to US$25 million
    - Shell has indicated its intention to commit to drill an exploration well on the Selene Prospect at the earliest opportunity
- Transformational equity fundraise of £15.0 million (gross), fully funding Company to end of 2021 including its share of Pensacola and Selene wells
- Cash position of £14.8 million at 1 July 2019, following receipt of net proceeds of fundraise
- Farm-out process on Licence P2352, containing the Dewar Prospect, commenced in July 2019, with multiple parties already in the data room following expressions of interest
    - Estimated resource on oil prospect significantly enhanced - now estimated to contain up to 270 million barrels of oil in place with P50 Prospective Resources of 39.5 million barrels

Chairman's Statement

The past six months have been transformational for the Company with it delivering a number of significant steps towards its goal of becoming one of the leading exploration-focussed companies working in the UK Continental Shelf (UKCS).

During the first half , as planned, the Company farmed out an interest in two key licences to Shell which, as part of the transaction, acquired a 70% working interest in Licence P2252 and will cover the entire cost of a 3D seismic survey in order to decide on the best drilling location for the Pensacola Prospect. In addition, the recently awarded Licence P2437 is now the subject of a 50:50 partnership with Shell which has committed to fund 75% of the cost of drilling the first exploration well on the Selene Prospect.

As a result, active operations have been completed on the Company's investments for the first time since inception, with a 3D seismic survey acquired in the Southern North Sea to evaluate the Pensacola Prospect. Furthermore, the Company is anticipating drilling activity in 2020 and continues to work with Shell to seek to secure a well investment decision in respect of the Selene Prospect later this year.

In addition to work being carried out on licences P2252 and P2437, the Company has launched the farm-out process for the Dewar Prospect in the Central North Sea which has commenced in a significantly better oil price environment than we have seen for years. A number of parties (including major oil and gas companies) have already expressed an interest in the Dewar Prospect and are currently in the data room. The farm-out process is scheduled to run for the next few months and we look forward to updating the market in due course.

Based on this progress, the Company conducted a very successful equity fundraise of £15 million in June this year which, based on current plans, fully funds the Company until the end of 2021 including its participation in two proposed wells to be operated by Shell.

Of course, funding was not the only uncertainty facing the business, or the industry as a whole going forward, with climate change very much at the forefront of people's minds.

The UK Government has recently introduced legislation adopting the 'net zero greenhouse gas emissions by 2050' target which was published by the independent Committee on Climate Change in April 2019. The Committee on Climate Change report was generally a thorough and thoughtful review of the situation in the UK and clearly states that 'net zero' does not mean the end of hydrocarbon production and consumption. In fact, the Climate Change Committee has recognised that hydrocarbon consumption, predominantly natural gas, at levels of approximately 70% of today's are required beyond 2050. The key difference between the Climate Change Committee and our own view is that instead of becoming increasingly reliant on imports from overseas we should be focussing on national production and consumption of natural gas from the UKCS.

A domestic supply of natural gas is good for jobs, good for tax receipts and the balance of payments, as well as being better for the environment compared with importing gas from as far afield as the Middle East and South America.

With a world-class hydrocarbon province, long term national demand and a leading regulatory regime in the UK, the future is bright for companies such as ours with good exploration prospects and a world-class business partner.

Mark Lappin
Chairman
16 September 2019

CEO's Statement

The first half of 2019 has seen our Company make tremendous progress in the context of the Board's aim for the Company to become one of the UK's leading independent oil and gas explorers. A number of key successes have been achieved in the first six months of the year, which have moved the Company's investments into an operational phase for the first time, with new 3D seismic having already been shot and the Company now having line of sight over the drilling of at least two exploration wells.

The most significant of these achievements occurred in February when the Company negotiated a farm-out with Shell of Licence P2252 (which contains the Pensacola Prospect) and at the same time agreed an option for Shell to farm into the Company's Licence P2437 (which contains the Selene Prospect).

The Pensacola farm-out sees the Company fully carried through to the earlier of December 2020 or the date on which the contingent well commitment becomes firm and included the acquisition of new broadband 3D seismic over the prospect. Following completion of the farm-out in May 2019, significant operational progress has already been made with the acquisition of the seismic having successfully completed in August. With this now complete, we look forward to continuing to work with Shell throughout the processing and interpretation phase which will support the well investment decision later next year.

Further to the Pensacola farm-out, Shell also exercised its option to farm into Selene on 30 April 2019, with the formal completion of the transaction occurring in August. The Selene farm-out included US$600,000 of cash consideration (US$300,000 received in the period and US$300,000 post period end) and sees the Company carried for 75% of the cost of a well up to US$25 million, with the Company retaining a 50% interest. This licence was only formally awarded to the Company with effect from 1 October 2018, so it was particularly pleasing to have achieved a farm-out within a relatively short timeframe following award.

These two farm-ins were the first that Shell has undertaken in the Southern North Sea for many years and we look forward to a long-term partnership with Shell over the coming years as it continues to invest in this world class basin. The Selene Prospect is an infrastructure led prospect, sitting in close proximity to Shell's Clipper hub, which means that it could be developed and brought on stream relatively quickly. Shell has indicated its intention to seek to drill this well at the earliest possible opportunity.

In June, the Company completed an equity fundraise of £15m which transformed its financial position. This significant strengthening of the balance sheet means that, in addition to the Company now being fully funded for its share of the well costs associated with Pensacola and Selene, it also has sufficient working capital through to the end of 2021 based on current plans. This is critically important as it provides our partners and other stakeholders confidence in our ability to meet our commitments as well as sheltering the Company and its shareholders from volatility in global and domestic markets, thus removing uncertainty as to future funding. Above all, the Company is now, for the first time, fully funded for the drilling of at least two wells on its licences, with success on either being transformational for the Company.

The outlook for the oil and gas industry in the UK continues to improve as a result of the successful commissioning of projects, ongoing cost reduction and improvements in operational performance, as well as an increasingly attractive and supportive fiscal and regulatory regime. Recovery in exploration is still at an early stage, however investment in exploration wells is increasing as larger operators in particular recognise the need to replace reserves. This is reflected in the enhanced level of farm-out activity seen in the North Sea in 2019 to date. In 2018, relatively few exploration wells were drilled in the UKCS, however the number of exploration wells is expected to double in 2019, several of which are being drilled in close proximity to the Company's existing licences in the Southern North Sea.

The two farm-outs with Shell represented a clear transition into a period of intensive oil and gas operations which would see, *inter alia*, the acquisition of 3D seismic in the summer of this year and ultimately the drilling of wells. This was therefore the ideal time for Mark Lappin to take over as Chairman of the Company and Mark's wealth of operational experience, particularly in the North Sea, is perfectly suited to guide the business through this next exciting phase of its development.

Looking ahead, the remainder of 2019 will see the Company working with Shell towards making the well investment decision on Selene, seeking to secure a farm-out of the Dewar Prospect, while at the same time seeking to replicate our success in the UK Oil and Gas Authority's 30th Licensing Round and further expand the portfolio by making a number licence applications in the 32nd Licensing Round. Each of these workstreams represents a key catalyst for the Company in the near term. We look forward to further progress in the second half of 2019 and into 2020 as we continue to strive to create value for our shareholders.

Graham Swindells
Chief Executive Officer
16 September 2019

Operating Review

P2252 – Pensacola (30% CLNR)

Licence P2252, located in the Southern Gas Basin, contains the Pensacola Prospect which is estimated to contain gross P50 Prospective Resources of 309 BCF in a Zechstein carbonate build-up with significant additional upside potential in the Lytham-Fairhaven Prospect which is also located on block. Following an extensive process, the licence was farmed out to Shell U.K. Ltd in February 2019, which has resulted in the Company being fully carried through the 3D seismic acquisition and processing based work programme.

Since formal completion of the farm-out and transfer of operatorship to Shell at the end of May 2019, the partnership has moved rapidly to field operations with the acquisition of 3D seismic over Pensacola commencing on 4 August 2019. The survey was conducted by Shearwater GeoServices using the Polar Empress with field operations completed on 21 August, without incident.

The acquisition of broadband 3D data over the Pensacola Prospect is a key step in de-risking a future exploration well on the prospect. Following completion of field operations there will be a period of data processing, with final pre-stack depth migration (PSDM) seismic volumes expected to be delivered in early Q3 2020, although some results may be available prior to this.

This timeline is in line with previous guidance issued by the Company and the licence conditions imposed by the Oil and Gas Authority ("OGA") with respect to the contingent exploration well which the partnership committed to at the time the farm-in was agreed and will involve a well investment decision before the end of 2020. Pensacola currently carries a geological chance of success of 20% but this is likely to be revised following interpretation of the recently acquired 3D data.

P2437 – Selene (50% CLNR)

Licence P2437, located in the Southern Gas Basin, was awarded to the Company in the 30th UK Offshore Licencing Round with an effective date of 1 October 2018 with Shell exercising their option to farm-in into the licence on 30 April 2019. The primary prospect on Licence P2437 is the Selene Prospect which has a geological chance of success of 39% and is estimated to contain gross P50 Prospective Resources of 291 BCF in the well understood Leman Sandstone play.

The Selene farm-in was formally completed on 13 August 2019 with Shell taking a 50% working interest in the licence in return for cash consideration of US$600,000 and agreement to pay 75% of the costs of the proposed exploration well on Selene up to a gross cost of US$25 million.

The Selene Prospect is located approximately 20km to the North of Shell owned and operated infrastructure located on the Barque gas field which presents a low cost, low risk development option in the case of exploration success. Additional upside exists on block including the Sloop discovery and the Endymion Prospect which will be fully evaluated in due course.

The partnership continues to obtain and evaluate all the available data for the area. We believe Selene is drill-ready and hope to be in a position to make a well investment decision before the end of 2019, subject to the JV agreeing that no further reprocessing work is required to refine the exact location of the well.

P2428 – Cupertino (100% CLNR)

The reprocessing of approximately 850 line kilometres of legacy 2D seismic data to pre-stack depth migration (pre-SDM) is ongoing and will significantly improve the imaging in the pre-salt section which is critical for understanding the early Carboniferous Cupertino lead. The reprocessing work commenced in mid-May with final results due to be delivered in Q4 2019.

Following delivery of the reprocessed seismic there will be a period of further evaluation of the lead and if the outcome of this evaluation is in-line with expectations, then we would anticipate commencing a farm-out process on the TCF (P50 Prospective Resources) scale Cupertino Prospect in early 2020.

Given the lack of modern 3D seismic data over Cupertino, it is likely that such a farm-out will be based around a firm commitment to the acquisition of 3D seismic with a contingent exploration well dependant on the evaluation of any newly acquired seismic data.

P2424 – Cortez (100% CLNR)

The Cortez and Cortez South leads have the potential to contain P50 Prospective Resources in excess of 400 BCF in sandstones of the Scremerston Formation which has proven producing reservoirs at Breagh on the block to the West and at the Crosgan discovery located immediately to the North of the Cortez structure.

Once the key learnings from the legacy 2D reprocessing on the Cupertino lead have been fully understood, it is anticipated that the reprocessing of the legacy 2D over the nearby Cortez Prospect will commence in Q4 2019 with final results to be delivered mid-2020.

P2352 – Dewar (100% CLNR)

Licence P2352, located in the Central North Sea, was awarded to the Company in the 30th UK Offshore Licencing Round with an effective date of 1 October 2018. The primary prospect on Licence P2352 is the Dewar Prospect which is estimated to contain gross P50 Prospective Resources of 39.5 MMBO in a Forties Sandstone channel. The Dewar Prospect is supported by a clear amplitude versus offset (AVO) anomaly and has a geological chance of success of 41%.

In the event of exploration success, the Dewar Prospect is a highly attractive commercial proposition as it is located approximately 5km east of BP's Eastern Trough Area Project (ETAP) Central Processing Facility. A recent commercial feasibility study commissioned by Company indicated that the project could have a post-tax NPV10 of £555M and a post-tax IRR of 123%, in a P50 Prospective Resource scenario.

Following completion of the various subsurface workflows, including the AVO study, and a commercial feasibility study, the farm-out process on Central North Sea Licence P2352 commenced in July 2019. Despite being mid-summer and the announcement of the 32nd Offshore Licensing Round that month, the initial response from industry has been encouraging and there are a number of parties currently active in the Dewar data room.

Subject to initial feedback from interested parties, the next stage is to request farm-in offers to coincide with the budget process for 2020 work programmes.

Other Licences

The Parkmead Group continue to progress subsurface and associated technical workflows on Licence P2435 (25% CLNR, non-operated working interest) containing the Blackadder Prospect and the Bob/Teviot discovery.

The Company is maintaining a watching brief around Licence P2348 in the Central North Sea and will make a decision on the future of this small licence in due course.

32nd Offshore Licencing Round

The Oil and Gas Authority officially opened the 32nd UK Offshore Licencing Round on 11 July 2019 with applications to be submitted before 12 November 2019. Nearly 800 blocks are on offer, covering most of the mature UKCS basins, and the Company is preparing a number of applications focussed on its core areas in the Southern Gas Basin and Central North Sea.

Current OGA guidance indicates licence awards are likely to take place during the second quarter of 2020.

Portfolio and Resource Summary – August 2019

The Company's current licence portfolio and prospect inventory, as of the end of August 2019, is summarised below:

Licence Ref:	Block ID	CLNR Equity	Project ID	Discovery (D) Prospect (P) Lead (L)	Net Prospective Resource (BCF)			GCoS%
					P90 Low	P50 Best	P10 High	
P2252	41/5a, 41/10a & 42/1a	30%	Pensacola - Zechstein Reef	P	35	93	170	20
			Lytham – Permian	P	16	37	73	49
			Lytham - Carboniferous	P	4	13	45	30
			Fairhaven - Zechstein	P	5	14	29	43
P2437	48/8b	50%	Sloop - Leman	D	4	9	19	100
			Selene - Leman	P	53	146	344	39
			Endymion - Leman	L	18	24	31	27
			Rig & Jib - Leman	L	7	18	29	35
P2424	42/14 & 42/15b	100%	Furasta - Bunter	D	7	18	30	100
			Burbank - Bunter	P	70	200	567	32
			Cortez - Carboniferous	L	24	107	433	29
			Cortez South - Carboniferous	L	129	331	732	28
P2428	43/7 & 43/8	100%	Cupertino - Scremerston	L	69	262	914	21
			Cupertino - Fell Sandstone	L	147	558	2089	30
P2435		25%	Bob (Teviot) - Leman	D	2.8	5.5	10.3	100

	47/10d & 48/6c		Blackadder - Leman	P	17.8	28.3	42.5	45

Licence Ref:	Block ID	CLNR Equity	Project ID	Discovery (D) Prospect (P) Lead (L)	Net Prospective Resource (MMBOE)			GCoS%
					P90 Low	P50 Best	P10 High	
P2352	22/24f & 22/25g	100%	Dewar - Forties	P	10.5	39.5	80.5	41
			Tesla - Pentland	D	To be determined - mean STOIIP estimated @ 24 mmboe			
P2384	22/19f	100%	Manhattan Complex	L	To be determined			

A J Nunn
Chief Operating Officer
16 September 2019

Financial Review

The Company incurred a loss for the period of £1,557,865 compared with a loss of £794,481 for the six months to 30 June 2018. This loss includes a gain of £105,767 arising from the receipt of the initial consideration of US$300,000 (£229,885) for the grant of the option to Shell to farm into Licence P2437. The remaining portion of the proceeds are reflected as a reduction in intangible assets of £124,118, being the amount of expenditure relating to Licence P2437 that had previously been capitalised. Administrative expenses include a £801,307 non-cash impairment of intangible assets, following the relinquishment of Licence P2248 in March 2019. Other administrative expenses include a non-cash share-based payment expense of £84,002, compared with £32,572 for the six months to 30 June 2018, and other expenditure not directly attributed to existing licences, and general overheads of £762,803, which compares to £762,428 for the six months to 30 June 2018.

Expenditure directly relating to investment in the Company's 100% owned North Sea licences has been capitalised to intangible assets. Expenditure on intangible assets totalled £150,657 during the period, compared with £255,782 in the six months to 30 June 2018. This reflects ongoing technical investment in the Company's portfolio of licences.

Trade and other payables of £210,341 (31 December 2018: £395,980) decreased by £185,639 of which £153,616 was due to timing of settlements, comprising a decrease of £188,887 relating to capitalised expenditure and an increase of £35,271 relating to operating activities.

Following the adoption of IFRS 16 Lease Accounting, effective 1 January 2019, the Company recognised a right of use asset of £380,498 within property, plant and equipment and a total lease liability of £377,568 in respect of the office premises occupied by the Company. This also reduced trade and other receivables by £34,953 and trade and other payables by £32,023.

The Company's cash position was £641,929 at 30 June 2019 (31 December 2018: £1,425,986; 30 June 2018: £871,717) reflecting a net cash outflow of £784,057 for the period. This cash position excludes funds of £15m (before expenses) received from the share placing and subscription approved on 25 June 2019, but not completed until 1 July 2019. Following receipt of these net proceeds on 1 July 2019, the cash position was £14,847,782.

Cash used in operating activities for the six months to 30 June 2019 was £687,735 (six months to 30 June 2018: £723,830). A further £167,511 was used in investing activities (six months to 30 June 2018: £135,632) including £398,855 relating to expenditure capitalised in intangible assets (six months to 30 June 2018: £128,867).

On 15 February 2019, the Company issued 10,647,709 ordinary shares at a price of 1.325p per share following the exercise of share options, generating proceeds of £141,085. The net cash from financing activities of £71,189 also includes lease payments totalling £69,906 following the adoption of IFRS 16, whereas this was included within operating activities in prior periods.

As a result of the share placing and subscription approved and announced on 25 June 2019, subsequent to the period end 857,142,857 shares were issued on 1 July 2019 at 1.75p per share, generating proceeds of £15m (before expenses) and increasing the number of ordinary shares in issue to 1,405,964,855.

Graham Swindells
Chief Executive Officer
16 September 2019

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, June 2009, 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 2019

	Note	Period ended 30 June 2019 Unaudited £	Period ended 30 June 2018 Unaudited £	Year ended 31 December 2018 Audited £
Administrative expenses				
Impairment of intangible assets		(801,307)	-	-
Other administrative expenses		(846,805)	(795,000)	(1,661,121)
Total administrative expenses		(1,648,112)	(795,000)	(1,661,121)
Other operating income		105,767	-	-
Operating loss		(1,542,345)	(795,000)	(1,661,121)
Finance income		2,066	519	968
Finance costs		(17,586)	-	-
Loss before tax		(1,557,865)	(794,481)	(1,660,153)
Income tax expense		-	-	-
Loss and comprehensive loss for the period attributable to equity holders of the Company		(1,557,865)	(794,481)	(1,660,153)
Loss per share from continuing operations expressed in pence per share:				
Basic and diluted	3	(0.29)p	(0.19)p	(0.35)p

UNAUDITED BALANCE SHEET

As at 30 JUNE 2019

	Note	30 June 2019 Unaudited £	30 June 2018 Unaudited £	31 December 2018 Audited £
NON-CURRENT ASSETS				
Intangible Assets		837,447	1,029,757	1,617,087
Property, Plant and Equipment		335,149	10,298	11,788
Other receivables		53,688	53,688	53,688
		1,226,284	1,093,743	1,682,563
CURRENT ASSETS				
Trade and other receivables		129,442	87,188	82,265
Cash and cash equivalents		641,929	871,717	1,425,986
		771,371	958,905	1,508,251
TOTAL ASSETS		1,997,655	2,052,648	3,190,814
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				
Share capital	4	2,744,109	2,214,675	2,690,866
Share premium		10,374,345	8,870,573	10,286,493
Share-based payment reserve		754,151	660,410	749,487
Accumulated retained deficit		(12,410,539)	(10,066,340)	(10,932,012)
TOTAL EQUITY		1,462,066	1,679,318	2,794,834
CURRENT LIABILITIES				
Trade and other payables		210,341	373,330	395,980
Lease liability		44,481	-	-
		254,822	373,330	395,980
NON-CURRENT LIABILITIES				
Lease liability		280,767	-	-
TOTAL LIABILITIES		535,589	373,330	395,980
TOTAL EQUITY AND LIABILITIES		1,997,655	2,052,648	3,190,814

UNAUDITED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2019

	Share capital £	Share premium £	Share-based payment reserve £	Accumulated Retained deficit £	Total equity £
Balance at 1 January 2019	2,690,866	10,286,493	749,487	(10,932,012)	2,794,834
Comprehensive income for the year					
Loss for the period	-	-	-	(1,557,865)	(1,557,865)
Total comprehensive loss for the period	-	-	-	(1,557,865)	(1,557,865)
Contributions by and distributions to owners					
Issue of share capital	53,243	87,852	(79,338)	79,338	141,095
Share-based payment	-	-	84,002	-	84,002
Total contributions by and distributions to owners	53,243	87,852	4,664	79,338	225,097
Balance at 30 June 2019 (Unaudited)	2,744,109	10,374,345	754,151	(12,410,539)	1,462,066
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 share capital	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 2018	1,980,300	8,390,436	627,838	(9,271,859)	1,726,715
Comprehensive income for the year					
Loss for the year	-	-	-	(1,660,153)	(1,660,153)
Total comprehensive loss for the year	-	-	-	(1,660,153)	(1,660,153)
Contributions by and distributions to owners					
Issue of share capital	710,566	2,039,434	-	-	2,750,000
Expenses of issue	-	(143,377)	-	-	(143,377)
Share-based payment	-	-	121,649	-	121,649
Total contributions by and distributions to owners	710,566	1,896,057	121,649	-	2,728,272
Balance at 31 December 2018 (Audited)	2,690,866	10,286,493	749,487	(10,932,012)	2,794,834

UNAUDITED STATEMENT OF CASH FLOWS
For the period ended 30 June 2019

	Period ended 30 June 2019 Unaudited £	Period ended 30 June 2018 Unaudited £	Year ended 31 December 2018 Audited £
Cash flows from operating activities			
Loss before tax	(1,557,865)	(794,481)	(1,660,153)
Adjustments for:			
Finance income	(2,066)	(519)	(968)
Finance costs	17,586		
Depreciation	57,544	1,334	2,893
Amortisation	4,872	1,327	4,943
Impairment of intangible assets	801,307	-	-
Gain on grant of option over licence farm-in	(105767)	-	-
Share-based payment	84,002	32,572	121,649
	(700,387)	(759,767)	(1,531,636)
(Increase) / decrease in trade and other receivables	(22,619)	2,011	6,933
Increase in trade and other payables	35,271	33,926	2,128
Net cash used in operating activities	(687,735)	(723,830)	(1,522,575)
Cash flows from investing activities			
Purchase of intangible assets	(398,855)	(128,867)	(665,565)
Proceeds from grant of option over licence farm-in	229,885	-	-
Purchase of property, plant and equipment	(607)	(7,284)	(10,132)
Interest received	2,066	519	968
Net cash used in investing activities	(167,511)	(135,632)	(674,729)
Cash flows from financing activities			
Proceeds from share issues	141,095	750,000	2,750,000
Expenses of share issues	-	(35,488)	(143,377)
Capital payments for leased asset	(52,320)	-	-
Interest on lease liabilities	(17,586)	-	-
Net cash from financing activities	71,189	714,512	2,606,623
(Decrease)/increase in cash and cash equivalents	(784,057)	(144,950)	409,319
Cash and cash equivalents at beginning of period / year	1,425,986	1,016,667	1,016,667
Cash and cash equivalents at end of period / year	641,929	871,717	1,425,986

NOTES TO THE FINANCIAL INFORMATION

For the period ended 30 June 2019

1. GENERAL

The interim financial information for the period to 30 June 2019 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 2018 together with new and amended standards applicable to periods commencing 1 January 2019, which complied with International Financial Reporting Standards as adopted for use in the European Union ("IFRS").

The Company adopted IFRS 16 'Leases' in the six-month period, following the standard becoming effective for periods commencing on or after 1 January 2019.

IFRS 16 'Leases' provides a new model for lessee accounting in which all leases, other than short-term and small-ticket-item leases, are now accounted for by the recognition on the balance sheet of a right-to-use asset and a lease liability, and the subsequent amortisation of the right-to-use asset over the lease term. The impact of the implementation of the standard as at 1 January 2019 is set out below:

- Recognition of a right of use asset of £380,498 within property, plant and equipment
- Recognition of a lease liability of £377,568
- Decrease in trade and other receivables of £34,953
- Decrease in trade and other payables of £32,023.

The implementation of the standard on the results for the six-month period had the following impact:

- A finance expense due to the lease finance charge, of £17,586
- Depreciation of property, plant and equipment increased by £55,683
- No operating lease rental expense for the period (six months to 30 June 2018: £62,928)

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 2019, 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 2018 set out in this interim report does not comprise the Company's statutory accounts as defined in section 434 of the Companies Act 2006.

The statutory accounts for the year ended 31 December 2018, 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. That report did however include reference to matters to which the auditors drew attention by way of emphasis regarding going concern.

In the financial statements for the year to 31 December 2018, the Company stated that based on the cash balance at year end and the Company's commitments, following the receipt of funds from Shell in respect of the grant of the option over Licence P2437 and proceeds of £141,095 from the exercise of share options, the Directors were of the opinion that the Company had adequate financial resources to cover its budgeted exploration and development programme and to meet its other operational obligations as they fall due until the beginning of the fourth quarter of 2019. Based on current cash balances and the Company's commitments, and following the receipt of £15 million (before expenses) from the placing and subscription of shares completed on 1 July 2019, the Directors expect that the Company has adequate financial resources to cover its committed exploration and development programme and to meet its other operational obligations as they fall due for at least one year from the date of this announcement.

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 2019	Period ended 30 June 2018	Year ended 31 December 2018
Loss for the period (£)	(1,557,865)	(794,481)	(1,660,153)
Weighted average number of ordinary shares (number)	546,174,529	413,152,740	475,394,019
Loss per share from continuing operations	(0.29)p	(0.19)p	(0.35)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 2019 £	30 June 2018 £	31 December 2018 £
548,821,998 ordinary shares of 0.5p each (30 June 2018: 442,935,199 ordinary shares)	2,744,109	2,214,675	2,690,865

5. SUBSEQUENT EVENTS

As a result of a share placing and subscription approved on 25 June 2019, on 1 July 2019 857,142,857 ordinary shares were issued at 1.75p per share, generating gross proceeds of £15,000,000 (£14,207,399 net of expenses) and increasing the number of ordinary shares in issue to 1,405,964,855.

In August 2018, the Company completed the farm-out of a 50% interest in Licence P2437 (which contains the P50 Prospective Resources 291 BCF Selene Prospect) to Shell. The second payment of US$300,000 received from Shell will be reflected in the full year results as a reduction in intangible assets, offset against further expenditure incurred on Licence P2437 prior to, or as a result of, completion of the farm-out.

6. 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

AVO:	Amplitude Versus Offset - AVO analysis is a technique that geophysicists can execute on seismic data to determine a rock's fluid content, porosity, density

	or seismic velocity, shear wave information, fluid indicators (hydrocarbon indications).
PRMS:	Petroleum Resources Management System (2007)
BCF:	Billion Cubic Feet
GIIP:	Gas Initially In Place
SCF:	Standard 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 (GCoS):	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.
EMV:	Expected Monetary Value, being the value for a set of possible scenarios based on the average risked value of that set of scenarios and which is calculated by multiplying the value of each possible scenario with the chance of that scenario being realised
STOIIP:	Stock tank oil initially in place is the estimated amount of crude oil present in a hydrocarbon reservoir prior to production taking place.
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.
Pmean:	is the mean of the probability distribution for the resource estimates. This is often not the same as P50 as the distribution can be skewed by high resource numbers with relatively low probabilities.

The GIIP volumes and 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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