Cliff Natural Resources Plc / Index: AIM / Epic: CLNR / Sector: Natural Resources
29 April 2015

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

Cluff Natural Resources Plc, is pleased to announce its audited preliminary results for the year ended 31 December 2014 ('FY 2014').

## Highlights

- Continuing to build substantive portfolio of Underground Coal Gasification ('UCG') Licences inshore UK – portfolio totals 690km$^2$
- Awarded eleven blocks contained within five licences in the Southern North Sea in the 28th Offshore Licensing round
- MOU signed with Halliburton with a view to collaborating on the development of CLNR's UCG and Southern North Sea gas assets in the UK
- Progression of flagship Kincardine UCG project in the Firth of Forth, Scotland
    - JORC coal resource of 335 million tonnes of coal, of which 247 million tonnes are 'measured' or 'indicated' – equivalent energy to approximately 11 TCF of natural gas in place (mid case)
    - Site selection studies, environmental surveys and modelling and engineering design work required to support this planning application are underway
- JORC Exploration target defined at Point of Ayr, North Wales UCG licence of between 980 million and 1.23 billion tonnes of coal
- Further strengthened the Board of Directors with the appointment of Andrew Nunn as COO
- Successfully completed fundraise of £2.2 million in March 2015

## Chairman and Chief Executive's Statement

My last statement focused on our UCG aspirations in the UK and our aim to unlock the vast energy potential of the country's un-mined offshore coal resources. We have been making significant progress in this regard, however in light of the anticipated timing for the planning approval process for UCG operations in the UK, I stressed our complementary ambition to secure conventional offshore oil and gas licences. To that end we successfully applied for various blocks in the 28th Round of Offshore Licensing in April 2014 in the Southern North Sea gas basin and in December 2014 we were formally awarded eleven blocks contained within five licences. We are consequently focusing on these conventional licences for nearer-term value generation as we look to develop this company into an integrated oil and gas investment company, further details of which are set out below.

**UCG**

Since my last statement we have been awarded four more UCG licences in the UK by The Coal Authority, taking our total number of licences to nine. They range from South Wales to North Wales to Cumbria, the Firth of Forth and the North East of England. This is a balanced portfolio representing coverage of most of the inshore areas around the UK coastline which are (arguably) prospective for the gasification of coal. Our present intention of accessing the coal by drilling from onshore has governed our decision to limit applications to inshore areas. Undeniably, the coal seams in many cases thicken further out to sea and we may address such targets in the future.

Since my last statement, the oil price has been convulsed on the downside dropping by half, although the price of gas has been more resilient. Sanctions have been imposed against Russia following the events in Crimea and the whole security of supply issue in the UK has been graphically highlighted without any concomitant response from the Government, except to build more heavily subsidised wind farms. As I write, it has been announced that the Longannet Power Station in Scotland is likely to close within twelve months. Scotland has therefore recently lost approximately one third of its electricity supply which, being also avowedly non-nuclear, potentially renders the country's energy situation fraught with danger. I believe that the closure of Longannet poses a threat to the rest of the UK too and should lead to increasing recognition of the importance of coal gasification in the country's energy equation.

It is encouraging that the Scottish Government has now set up a committee to report by 7th May on how Scotland's energy 'mix' should be constructed. It is our corporate view that the future of Longannet (and Cockenzie and Grangemouth) can be secured by access to UCG. We have already demonstrated that the UCG suitable coal in place in our Kincardine licence alone is equivalent to 1.4 TCF of natural gas – sufficient to fire a 1,000MW power station for twenty-five years. The other two UCG licences in the Firth of Forth, which are larger, could provide the energy security that Scotland requires without nuclear power. The lower cost of UCG power generation would render export of electricity from Scotland again competitive.

Furthermore, the cost of electricity generation from UCG syngas is independent of world natural gas prices, which are sure to rise in the longer term. The output of a UCG production plant, unlike conventional coal plant, is flexible and an ideal match for the vagaries of renewable sources; and CCGT plant can be designed to operate on both syngas and natural gas as is proven in Europe.

I am pleased to record that the Minister of State at the Department of Energy and Climate Change, Rt Hon Matthew Hancock, in a speech in Gateshead last month endorsed the concept of UCG and we can only hope that this welcome attitude will be sustained by the next Government.

**Conventional gas/ Halliburton MOU**

The award of our eleven Southern North Sea blocks last December has added a considerable new dimension to your company. The improvement in seismic definition has led to a recent renaissance of interest in this area and particularly in the potential of the Carboniferous and the Zechstein. The Lytham discovery on our blocks 41/5 and 41/10 originally drilled by Walter in 2004 and latterly by Lundin in 2007 is of importance too and we are working towards the possibility of re-entering this discovery. The previous licence holders judged that, although the reservoir certainly contained gas, it was likely to be too tight to release a commercial flow of gas. However the advent of hydraulic fracturing has revolutionised attitudes to such reservoirs and Halliburton, with whom we have recently signed a

Memorandum of Understanding, are the world's leading practitioners of the hydraulic fracturing technique and indeed have been heavily involved in our neighbouring Breagh Field's successful development. We are in regular contact with Halliburton with regards to these conventional gas opportunities as indeed we are in the context of UCG.

**Funding**

You will be aware we have recently raised a further £2.2 million by way of a placing and subscription of new shares at 4.25 pence per share which, when added to our existing cash balances provides us with sufficient working capital at least until the end of first quarter of 2016.

**Management**

In May 2014, the Board appointed Andrew Nunn as our Senior Project Manager. Andrew has made an immediate impact on the development of our business and I was very happy to announce his promotion to the Board as Chief Operating Officer in December 2014.

**Outlook**

Parliament has just risen and the outcome of the General Election has seldom been more difficult to predict. The Chancellor's final budget did much to render it easier for the large producing companies to sell out of the North Sea but nothing to encourage exploration. I urge the incoming Government to firstly adopt the so-called 'Norwegian model' whereby a 78% rebate is provided by the Government of the cost of an exploration well and secondly to accord UCG the important role it must have in establishing and preserving the United Kingdom's energy security.

We have an exciting but challenging task ahead of us for which we need the support of the larger companies. It is therefore to be hoped that the signature of the Memorandum of Understanding with Halliburton will herald a closer co-operation with them and enable us to advance our plans, conventional and unconventional.

J G Cluff
Chairman and Chief Executive
29 April 2015

**Operational Review**

During 2014, CLNR continued the organic development of its portfolio of UK based gas assets. Our position as a leading player in the UK's emerging UCG sector has been consolidated with the award of four further offshore UCG licences and the publication of an initial JORC compliant resource assessment for the Kincardine licence in Scotland. Since the year end, independent geological reviews of three further licence areas indicated major coal tonnage potential in both the Point of Ayr and Cumbria areas.

2014 also saw the growth of the portfolio through the award of five "promote" licences in the emerging Carboniferous gas play in the Southern North Sea. These licences are located in an area with significant recent activity including new discoveries and installation of new production infrastructure.

**UCG activity**

The Company has continued to build its UCG portfolio with the award of four additional offshore UCG licences bringing the total offshore area available for UCG development in the UK to 690km². These new licences included two contiguous areas in offshore parts of the Durham Coalfield, a new licence immediately to the north of the existing Workington licence (previously referred to as North Cumbria) and a further licence in the Firth of Forth.

| Licence Area | Region | Date Awarded | CLNR Working Interest (%) | Area ($km^2$) |
|---|---|---|---|---|
| Point of Ayr* | England - Wales | January 2013 | 100 | 69.5 |
| Loughor Estuary | Wales | January 2013 | 100 | 42.1 |
| Kincardine | Scotland | June 2013 | 100 | 36.9 |
| Workington** | England | July 2013 | 100 | 82.4 |
| Largo Bay | Scotland | July 2013 | 100 | 78.0 |
| Maryport | England | August 2014 | 100 | 100.0 |
| Durham North | England | August 2014 | 100 | 100.5 |
| Durham South | England | August 2014 | 100 | 103.4 |
| Frances | Scotland | April 2015 | 100 | 76.9 |
| **Total** | | | | **689.7** |

*Formerly referred to as 'Dee Estuary'
**Formerly referred to as 'North Cumbria'

**Kincardine UCG Licence**

The key development within the offshore UCG portfolio has been the publication of an independently assessed JORC resource for the Kincardine Licence located in the Firth of Forth, Scotland.

This report indicated a coal resource of 335 million tonnes of coal, of which 247 million tonnes are 'measured' or 'indicated'. On an energy basis the coal resources identified within the Kincardine licence area contains the equivalent energy to approximately 11 TCF of natural gas in place (mid case).

| | | **Coal Resource (million tonnes)** | | | **Mid-case Gas in Place Equivalent (TCF)** |
|---|---|---|---|---|---|
| Licence Area | Category | Low | Mid | High | Mid Case |
| Kincardine | Measured | 93.07 | 125.57 | 157.38 | 4.1 |
| | Indicated | 94.66 | 121.36 | 147.25 | 3.9 |
| | Inferred | 68.45 | 87.73 | 106.45 | 2.8 |
| | **Total** | 256.18 | 334.66 | 411.08 | 10.8 |

Additionally, within this resource, 43 million tonnes of coal in place that meet our initial screening criteria for a commercial UCG development have been identified. This 43 million tonnes of coal equates to a gas in place equivalent of 1.4TCF and could support a UCG project gasifying one million tonnes of coal per annum with a lifespan of at least 25 years in this licence area.

This independent confirmation of the UCG potential in the Kincardine Licence has given the Company sufficient confidence to commit to the various environmental and engineering studies required to support a planning application for the UK's first UCG project since the 1950's. Site selection studies, environmental surveys and modelling and engineering design work required to support this planning application are underway and are due to be completed during the course of 2015.

**Other UCG Licences**

In addition, independently assessed coal exploration targets were defined for the Point of Ayr Licence located in the Dee Estuary and the two licences in Cumbria.

The Point of Ayr licence has been assessed to potentially contain between 980 and 1,230 million tonnes of coal meeting our criteria for a commercial UCG project. This is a hugely significant coal deposit in terms of the ability to scale up the UCG process to the point where it could make a material difference to energy supply on a national level. Further surveys and drilling work is required to further define the potential of this area.

| **Licence Area** | **Coal Exploration Target (million tonnes)** | | **Mid-case Gas in Place Equivalent (TCF)***** | |
|---|---|---|---|---|
| | **Low** | **High** | **Low** | **High** |
| Point of Ayr* | 980 | 1,230 | 23.3 | 29.2 |
| Workington** Maryport | 384 | 640 | 9.0 | 15.2 |
| TOTAL | 1,364 | 1,870 | 32.3 | 44.4 |

*Formerly referred to as 'Dee Estuary'
**Formerly referred to as 'North Cumbria'
***Using 25GJ/tonne of coal

On an energy-equivalent basis, the coal deposits identified within these exploration targets across the 3 licence areas contains between 32.3 and 44.4 TCF of natural gas in place, which underlines the scale of the UCG potential in these areas.

While the licences in Cumbria were also assessed to contain significant coal resources suitable for UCG, the geological work undertaken by Wardell Armstrong also indicated the coal was potentially of coking quality and highlighted the opportunity for the establishment of a conventional coking coal mine in this area. There is precedent locally with West Cumbria Mining Limited currently exploring the potential for a new coking coal mine on the block immediately to the south of the Workington licence area. In light of this information, Cluff Natural Resources will look to realise value or monetise these conventional coal assets over the coming year.

**Conventional North Sea gas assets**

To complement the existing UCG licences, CLNR applied for blocks in the 28th Offshore Licencing round in April 2014 and were ultimately awarded five promote licences incorporating eleven of those blocks in December 2014. These five licences cover approximately 2,400km² of the Southern North Sea in a highly prospective area where there have been a number of significant developments relating to the emerging Carboniferous play in recent years including the commencement of gas production at the adjacent Breagh field, the announcement of the Pegasus West well test results in Q4 of 2014, and the completion of a pre-funded multi-client broadband 3D survey over a large area including 2 blocks licenced by CLNR.

The licences and blocks the Company has been awarded are set out below:

| Licence Area | Blocks | Date Awarded | CLNR Working Interest (%) | Area ($km^2$) |
|---|---|---|---|---|
| P2248 | 43/11 | Dec 2014 | 100 | 239.8 |
| P2252 | 41/5, 41/10 & 42/1 | Dec 2014 | 100 | 715.0 |
| P2253 | 42/14b | Dec 2014 | 100 | 223.9 |
| P2259 | 43/3b, 43/4b & 43/5 | Dec 2014 | 100 | 523.1 |
| P2261 | 43/7, 43/8 & 43/9 | Dec 2014 | 100 | 716.5 |
| **Total** | | | | **2,418.3** |

Of key interest is the Lytham gas discovery located in blocks 41/5 and 41/10 which was originally drilled by Walter in 2004 and latterly by Lundin in 2007. An earlier well drilled off-structure by Marathon in 1994 also had gas shows in both Carboniferous sandstones and the Zechstein dolomites. Mechanical issues prevented the full evaluation of the potential in Carboniferous sandstones and younger formations, including the Zechstein play which is productive onshore UK and in the Netherlands.

Over the next twelve months, CLNR is planning to re-evaluate the Lytham prospective trend, along with the larger portfolio, in light of recent developments at the Breagh, Pegasus and Cygnus fields and adjacent leads and prospects scheduled for drilling by competitors.

**Halliburton Memorandum of Understanding**

In February 2015, the Company entered into a Memorandum of Understanding with Halliburton, the leading global provider of engineering services to the energy sector, which aims to accelerate the development of CLNR’s UCG and Southern North Sea assets through the collaborative development of new and emerging methodologies, technologies and business models.

This Memorandum of Understanding is a key endorsement of the potential commerciality of the UCG process and the large scale of the UCG opportunity both in the UK and globally.

A J Nunn
Chief Operating Officer
29 April 2015

**Financial Review**

In the period to 31 December 2014, the Company incurred expenditure in the development of its portfolio of UCG licences, in supporting its successful application for North Sea gas licences and assessment and appraisal of a number of other natural resources opportunities in accordance with the Company's investment strategy, in addition to on-going administrative expenditure.

As at 31 December 2014, the Company had cash of £1.21 million.

**Loss for the period**

The Company incurred a loss for the year to 31 December 2014 of £1,725,014 (2013: £1,928,199).

**Cash flow**

In the year to 31 December 2014, the Company experienced a net cash outflow of £1,723,633 (2013: net cash inflow £329,145).

Net cash outflow from operating activities was £1,533,324 (2013: £1,525,497).

**Closing cash**

As at 31 December 2014, the Company held cash balances of £1.21 million (2013: £2.93 million).

**Shareholders' equity**

As at 31 December 2014 there were 155,000,000 ordinary shares of 0.5 pence each in issue.

Additionally, a total of up to 64,040,000 new ordinary shares may be issued pursuant to the exercise of share options or warrants.

**Post year end equity fundraising**

On 17 March 2015 the Company announced that it had conditionally raised approximately £2.2 million, before expenses, through the aggregate placing and subscription of 52,013,520 new ordinary shares of 0.5p each ("Placing Shares") at 4.25 pence per share (the "Placing") with new and existing institutional and private investors. The Placing comprised 44,222,332 Placing Shares which the Company issued on 15 April 2015 and a further 7,791,188 Placing Shares are expected to be issued on 11 September 2015.

The Placing was approved at a general meeting of the Company held on 14 April 2015 and the new ordinary shares were admitted to trading on 15 April 2015.

**Going concern**

The Company is dependent on its existing cash resources and its ability to raise additional funding in order to progress its exploration programme. Based on the cash balance at year end, the post year end equity fundraising and the Company's commitments, the Company has adequate financial resources to cover its budgeted exploration and development programme over the next 12 months.

**Key performance indicators**

At this stage in its development, the Company is focusing on the development of its existing UCG and North Sea licences as well as the evaluation of various oil and gas opportunities. As and when the Company moves into production, financial, operational, health and safety and environmental KPIs will become relevant and will be measured and reported as appropriate.

The Directors do however closely monitor certain financial information, in particular overheads and cash balances as set out in the Financial Review.

Graham Swindells
Finance Director
29 April 2015

**Investment policy**

In addition to the development of the UCG and North Sea gas 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.

**Qualified Person**

Andrew Nunn, a Chartered Geologist and COO 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 news release.

**Glossary of key terms**

- **Coal in place:** designates all the coal which is physically present in a given zone and meets certain geological criteria, regardless of any consideration on what is economically recoverable or not. This coal in place is given with conditions on the depth of the coal seams and their thickness.

- **Exploration Target:** is a statement or estimate of the exploration potential of a mineral or coal deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and grade (quality), relates to mineralisation or coal-bearing measures for which there has been insufficient exploration to estimate a mineral or coal resource which complies to any of the Measured, Indicated or Inferred resource classifications set out in the JORC Code and there is no certainty that further exploration will result in the estimate of a mineral resource.

- **Indicated resource:** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence

- **Inferred resource:** is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence

- **The JORC Code:** The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, as published by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, 2012 Edition.

- **Measured resource:** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence.

- **Resource:** a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.

- **TCF:** trillion cubic feet of natural gas

## Income Statement

for the year ending 31 December 2014

| | Notes | 2014<br>£ | 2013<br>£ |
|---|---|---|---|
| **Continuing Operations** | | | |
| Administrative expenses | | (1,744,886) | (1,932,389) |
| **Operating Loss** | | (1,744,886) | (1,932,389) |
| Finance income | | 19,872 | 4,190 |
| **Loss Before Taxation** | | (1,725,014) | (1,928,199) |
| Taxation | | - | - |
| **Loss for the year attributable to the equity holders of the Company** | | (1,725,014) | (1,928,199) |
| Loss per share from continuing operations expressed in pence per share: | | | |
| Basic and diluted | 2 | (1.11)p | (1.99)p |

## Statement of Comprehensive Income

for the year ending 31 December 2014

| | 2014<br>£ | 2013<br>£ |
|---|---|---|
| Loss for the year | (1,725,014) | (1,928,199) |
| **Other Comprehensive Income** | **-** | **-** |
| **Total Comprehensive Income for the year attributable to the equity holders of the Company** | (1,725,014) | (1,928,199) |

## Balance Sheet

as at 31 December 2014

| | Notes | 2014<br>£ | 2013<br>£ |
|---|---|---|---|
| **Assets** | | | |
| **Non-current Assets** | | | |
| Intangible assets | 3 | 254,219 | 18,158 |
| Property, plant and equipment | | 10,642 | 15,207 |
| Investment in subsidiary | | 251 | 1 |
| Other receivables | | 53,688 | 53,688 |
| | | 318,800 | 87,054 |
| **Current Assets** | | | |
| Other receivables | | 172,719 | 145,148 |
| Cash and cash equivalents | | 1,207,638 | 2,931,271 |
| | | 1,380,357 | 3,076,419 |
| **Total Assets** | | 1,699,157 | 3,163,473 |
| **Capital and reserves attributable to the equity holders of the Company** | | | |
| Shareholders' Equity | | | |
| Share capital | | 775,000 | 775,000 |
| Share premium | | 4,454,287 | 4,454,287 |
| Share-based payment reserve | | 589,050 | 463,127 |
| **Retained deficit** | | (4,426,380) | (2,701,366) |
| **Total Equity** | | 1,391,957 | 2,991,048 |
| **Liabilities** | | | |

| | | |
|---|---|---|
| **Current Liabilities** | | |
| Trade and other payables | 307,200 | 172,425 |
| **Total Liabilities** | 307,200 | 172,425 |
| **Total Equity and Liabilities** | 1,699,157 | 3,163,473 |

## Statement of Changes in Equity

for the year ending 31 December 2014

| | Share capital £ | Share premium £ | Share-based payment reserve £ | Retained deficit £ | Total equity £ |
|---|---|---|---|---|---|
| Balance at 1 January 2014 | 775,000 | 4,454,287 | 463,127 | (2,701,366) | 2,991,048 |
| Share-based payment | - | - | 125,923 | - | 125,923 |
| Loss and total comprehensive loss for the year | - | - | - | (1,725,014) | (1,725,014) |
| **Balance at 31 December 2014** | 775,000 | 4,454,287 | 589,050 | (4,426,380) | 1,391,957 |
| Balance at 1 January 2013 | 435,000 | 2,867,376 | 322,944 | (821,730) | 2,803,590 |
| Issue of share capital | 340,000 | 1,720,000 | - | - | 2,060,000 |
| Expenses of issue | - | (133,089) | - | - | (133,089) |
| Share-based payment | - | - | 188,746 | - | 188,746 |
| Expired/lapsed options | - | - | (48,563) | 48,563 | - |
| Loss and total comprehensive loss for the year | - | - | - | (1,928,199) | (1,928,199) |
| **Balance at 31 December 2013** | 775,000 | 4,454,287 | 463,127 | (2,701,366) | 2,991,048 |

## Cash Flow Statement

for the year ending 31 December 2014

| | Notes | 2014 £ | 2013 £ |
|---|---|---|---|
| **Cash flows used in operating activities** | | | |
| Net cash used in operating activities | | (1,533,324) | (1,525,497) |
| **Cash flows used in investing activities** | | | |
| Purchase of intangible fixed assets | | (208,081) | (14,070) |
| Purchase of property, plant and equipment | | (573) | (1,047) |
| Proceeds on disposal of property, plant and equipment | | 61 | - |
| Interest received | | 18,534 | 2,849 |
| Investment in subsidiary | | (250) | (1) |
| Net cash used in investing activities | | (190,309) | (12,269) |
| **Cash flows from financing activities** | | | |
| Proceeds of share issue | | - | 2,000,000 |
| Expenses of share issue | | - | (133,089) |
| Net cash from financing activities | | - | 1,866,911 |
| **(Decrease)/Increase in cash and cash equivalents** | | (1,723,633) | 329,145 |
| **Cash and cash equivalents at beginning of year** | | 2,931,271 | 2,602,126 |
| **Cash and cash equivalents at end of year** | | 1,207,638 | 2,931,271 |

## Notes to the Financial Statements

for the year ending 31 December 2014

### 1. Basis of preparation

The financial information for the year ended 31 December 2014 and 31 December 2013 set out in this announcement does not constitute the Company's statutory financial statements as defined by section 345 of the Companies Act 2006 for the year ended 31 December 2014 but is extracted from the audited financial statements for those years. The 31 December 2013 accounts have been delivered to the Registrar of Companies. The statutory financial statements for 2014 will be delivered to the Registrar of Companies in due course.

The auditors have reported on the financial statements for the year ended 31 December 2014; their report was unqualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board and as endorsed for use in the European Union, and with those parts of the Companies Act 2006 applicable to companies preparing their accounting under IFRS. This announcement does not itself contain sufficient information to comply with IFRSs.

The principal accounting policies adopted in the preparation of the financial information in this announcement are set out in the Company's full financial statements for the year ended 31 December 2014.

Copies of the Company's audited statutory accounts for the year ended 31 December 2014 will be available at the company's website at www.cluffnaturalresources.com, promptly after the release of this preliminary announcement and a printed version will be dispatched to shareholders shortly.

The Board approved this announcement on 29 April 2015.

### 2. Loss per Share

The Company has issued share options and warrants over Ordinary shares both of which could potentially dilute basic earnings per share in the future.

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 year.

Due to the losses incurred during the year, a diluted loss per share has not been calculated as this would serve to reduce the basic loss per share. There were 64,040,000 (2013: 52,840,000) share incentives outstanding at the end of the year that could potentially dilute basic earnings per share in the future. There were no potential ordinary shares outstanding in the year (2013: Nil).

**Basic and diluted loss per share**

| | 2014 | 2013 |
|---|---|---|
| Loss per share from continuing operations | (1.11)p | (1.99)p |

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

| | 2014<br>£ | 2013<br>£ |
|---|---|---|
| Loss used in the calculation of total basic and diluted loss per share | (1,725,014) | (1,928,199) |

| **Number of shares** | 2014<br>Number | 2013<br>Number |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | 155,000,000 | 96,694,977 |

### 3. Intangible Assets

| | Exploration & Evaluation Assets £ | Software Licences £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2013 | - | 6,000 | 6,000 |
| Additions | 12,720 | 1,351 | 14,071 |
| At 31 December 2013 | 12,720 | 7,351 | 20,071 |
| Additions | 238,059 | 25 | 238,084 |
| At 31 December 2014 | 250,779 | 7,376 | 258,155 |
| **Amortisation** | | | |
| At 1 January 2013 | - | 250 | 250 |
| Charge for year | - | 1,663 | 1,663 |
| At 31 December 2013 | - | 1,913 | 1,913 |
| Charge for year | - | 2,023 | 2,023 |
| At 31 December 2014 | - | 3,936 | 3,936 |
| **Net Book Value** | | | |
| At 31 December 2014 | 250,779 | 3,440 | 254,219 |
| At 31 December 2013 | 12,720 | 5,438 | 18,158 |
| At 1 January 2013 | - | 5,750 | 5,750 |

****ENDS****

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## NOTES FOR EDITORS

## CLNR

### Underground Coal Gasification ("UCG") Assets

- CLNR currently holds nine UK licences for deep UCG, covering a total area of 690km².
- UCG is a proven industrial process which allows coal to be converted into gas in-situ.
- UCG provides the opportunity to unlock an indigenous energy resource which is currently stranded due to its location and due to the entrenched decline of UK's mining industry.
- The establishment of a new UCG industry in the UK will create new employment opportunities and tax revenues, with skills requirements similar to other industries currently in decline in the UK including coal mining, oil & gas and the petrochemical industries.
- In addition, UCG will increase UK security of energy supply by utilising indigenous resources and providing a diversification of supply.
- CLNR's initial focus is to progress its Kincardine project (the "Project") and will be seeking planning consent for this project.
- The Project will comply with all relevant planning, permitting and environmental protection legislation. CLNR intends to work closely with the consent authorities and regulators in preparing its planning application for the Project.

### Southern North Sea Gas Assets

In December 2014, DECC awarded CLNR five promote licences for conventional gas exploration covering a total of eleven blocks, in an emerging gas province of the Southern North Sea.

The blocks are located in an under-explored, emerging gas province of the Southern North Sea, with diverse, high-potential play fairways and trap types in the Carboniferous. Significant interest in the area has recently been rejuvenated by breakthroughs in broadband 3-D seismic surveying technology, which acquires high resolution images below the Permian overburden.

Notable developments in the wider area include the completion of a multi-client 3-D survey (covering CLNR block 42/1 and part of CLNR blocks 41/5 and 41/10), the Pegasus West Gas Discovery (operated by Centrica, which flowed approximately 90MMscf/day on test from Namurian reservoirs), first gas production from the Breagh Field (operated by RWE Dea, estimated to contain nearly 600bcf of recoverable gas reserves) in October 2013 and on-going development of the Cygnus Gas Field (operated by GDF Suez) where first gas production is due in 2015.

All of CLNR's blocks are located in relatively shallow water where new conventional gas discoveries can be developed quickly and regional infrastructure is evolving rapidly.

### Halliburton Memorandum of Understanding

In February 2015, the Company entered into a memorandum of understanding ("MOU") with Halliburton Manufacturing and Services Limited ("Halliburton"), one of the world's largest providers of products and services to the energy industry, with a view to collaborating on the development of

CLNR's UCG and Southern North Sea gas assets in the UK. This development marks a significant step for CLNR as it continues towards the commercialisation of its portfolio of deep UCG licences in the UK to unlock the vast energy potential of the country's un-mined offshore coal resources and in the development of its Southern North Sea gas licences. The MOU reflects CLNR's and Halliburton's desire to establish areas of possible joint collaboration in the development of the CLNR's UCG and Southern North Sea gas assets (the "Joint Collaboration"). Such areas of Joint Collaboration will include the acceleration of the development of knowledge and capabilities of CLNR in the development of its UCG and Southern North Sea gas assets, technical consultation and the provision of technical and consultancy services and projects by Halliburton. Specifically, this will include: a) developing and leveraging new and emerging methodologies, technologies and new business models in relation to the development of CLNR's UCG and Southern North Sea gas assets; b) collaboration in the development of CLNR's UCG and Southern North Sea gas assets; c) further improvement and enhancement of any current technologies; and d) enhancing business relationship between the parties.

Further information about CLNR, our investors and UCG technology can be found on our website www.cluffnaturalresources.com