

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

Cluff Natural Resources plc, an investing company founded by natural resources entrepreneur Algy Cluff which focuses on investing in global oil & gas assets, is pleased to announce its preliminary results for the year ended 31 December 2012 ('FY 2012').

**Highlights**

- Successfully listed on AIM in May 2012, raising £3.75 million, as a natural resources investment company with the intention of generating shareholder value by acquiring and developing oil and gas and mining opportunities
- Invested in first project in January 2013 in the form of two Deep Underground Coal Gasification ('Deep UCG') licences in the UK which will be developed by a team led by Keith Leighfield, a highly experienced coal professional
- In close relations and discussions with Five-Quarter, a private Deep UCG company due to commence drilling into North Sea coal in 2013
- Continue to evaluate potential oil and gas projects in line with the CNR investment strategy to build significant value for shareholders by utilising the Board of Director's experience
- Appointed new Chief Financial Officer, Graham Swindells, with significant resource sector experience for mid and small cap companies

**Chairman and Chief Executive's Statement**

At the time Cluff Natural Resources was admitted to AIM in May 2012 your Board had two acquisitions in contemplation in the oil and gas sector and research was being conducted into the potential for a new technology (in the UK) for extracting synthetic gas from coal known as Deep Underground Coal Gasification ('Deep UCG'). Your Board judged the risks of the two potential oil and gas acquisitions to be too great and the Company has since focused on Deep UCG with two immediate objectives in mind; firstly to assemble a portfolio of Deep UCG licences in the UK; and secondly to raise the profile of Deep UCG by explaining the outstanding potential benefits for the UK energy sector which could derive from Deep UCG both offshore and onshore. Two licences, as described later in this statement, have been awarded to your Company and applications are extant for four more in the UK. Your Board believes that Deep UCG will evolve into a major contributor to the UK's energy future and that Cluff Natural Resources is in the vanguard of this process.

The characteristics of Deep UCG provide many technical and economic advantages compared with coal, natural gas, coal bed methane and surface gasification. Amongst these are that Deep UCG is a cleaner and safer process and will enable billions of tonnes of so-called 'stranded' coal to be exploited. The capital costs are highly competitive vis-à-vis all other processes and gas turbines burning Deep UCG gas should yield significantly more

electricity than those using either natural gas or coal bed methane. There are virtually no exploration risks as the presence and quality of the coal has already been established from the major coal mining database that is available.

Your Board therefore is resolved to invest primarily in this new and highly promising sector and our activities will be largely focused on Deep UCG both offshore and onshore the UK. In January 2013 your Company made its first investment consisting of two Deep UCG Licences in the UK covering 11,160 hectares of Carmarthenshire and the Dee Estuary on the North Wales/Merseyside border. These licences were selected based on the thickness and quality of the coal and relative shallowness for drilling depths to access the coal seams. We intend to carry out scoping studies on the licences and identify an area for test production. The Company is well funded to achieve its immediate objectives.

It is my aim to update shareholders during the coming twelve months on the planning progress with regards to our two Deep UCG licence areas in the UK and potentially reporting on the award of additional licences as we look to grow our portfolio of assets. Interestingly, later this year another Deep UCG focused company will be drilling an important directionally drilled well into North Sea coal from the coast of Northumberland. We maintain close relations with this company, Five-Quarter, a private company, and with its Chairman and Chief Executive Professor Harry Bradbury. The result of this well has very important implications for the future energy supply in the UK since it should demonstrate further the economic viability of the Deep UCG process. To quote Professor Bradbury:

*“This relatively small area (Offshore Northumberland) contains more potential energy than has yet been extracted from North Sea gas to date from the whole of the North Sea”.*

Along with Five-Quarter, we aim to be at the forefront in the development of this compelling new technology in the UK. With this in mind, I look forward to reporting on these developments in due course.

### **Corporate Review**

I am pleased to welcome Graham Swindells to our management team as Chief Financial Officer. Graham, who was appointed in May 2013, is a qualified Chartered Accountant with significant natural resources experience having acted as nominated adviser and broker to a variety of companies in the sector while at Arbutnot Securities. He joins our team at a crucial time for your Company as we assess potential oil and gas assets as well as develop our Deep UCG licences.

### **Outlook**

2013 is set to be an interesting year as we seek to acquire further Deep UCG licences in the UK and we await the result of the first hole to be drilled horizontally from the Northumberland Coast into the North Sea coal deposits by a private company, Five-Quarter. In the meantime we continue to evaluate other oil and gas projects as we aim to build a

portfolio of resource assets and build value for shareholders. I would like to take this opportunity to thank all shareholders for your support; we are striving to reward it by becoming an important player in the development of this compelling new Deep UCG technology.

J G Cluff

Chairman and Chief Executive

## **OPERATIONAL REVIEW**

As stated in the Chairman's Statement, the Company has begun to refine its strategy with the primary focus being Deep UCG in the UK. These efforts in the period have culminated in the Company being awarded two Deep UCG licences in January 2013, one in Carmarthenshire and the other in the Dee Estuary on the North Wales/Merseyside border.

### **About Deep UCG**

Underground coal gasification is the conversion of in situ coal into a mixture of gases often referred to as "syngas" which can be used for power generation or other purposes. The concept of underground coal gasification is not new, with trials taking place as long as a century ago, and subsequent trials, primarily in coal seams lying close to the surface (less than 200m deep). However the significant change in the development of UCG technology became apparent with the European trial in the Teruel Region of Spain (1992-1998) which demonstrated that using recent developments from the oil industry it was possible to undertake directional drilling within a coal seam some 500m beneath the surface and gasify the coal. In addition there appeared to be advantages in gasifying at greater depth, in terms of gas quality.

As the United Kingdom is well placed within Europe having large resources of indigenous coal still remaining both onshore and offshore in the North Sea, these resources have the potential to provide security of future energy supplies long after North Sea oil and gas are exhausted. Given the decline in conventional coal mining operations in the United Kingdom and the increasing dependence on imported energy supplies, your Board believes that it is important to apply the latest UCG technology to the remaining deep coal seams to generate cleaner energy from our indigenous coal. Furthermore UK Government policy is supportive in encouraging the development of cleaner coal technologies stating that "the potential for UCG in the UK relates not only to reducing environmental emissions but also to ensuring security of energy supply and maintaining an acceptable level of diversity of energy supply."(Department of Energy & Climate Change)

### **Licences awarded to the Company**

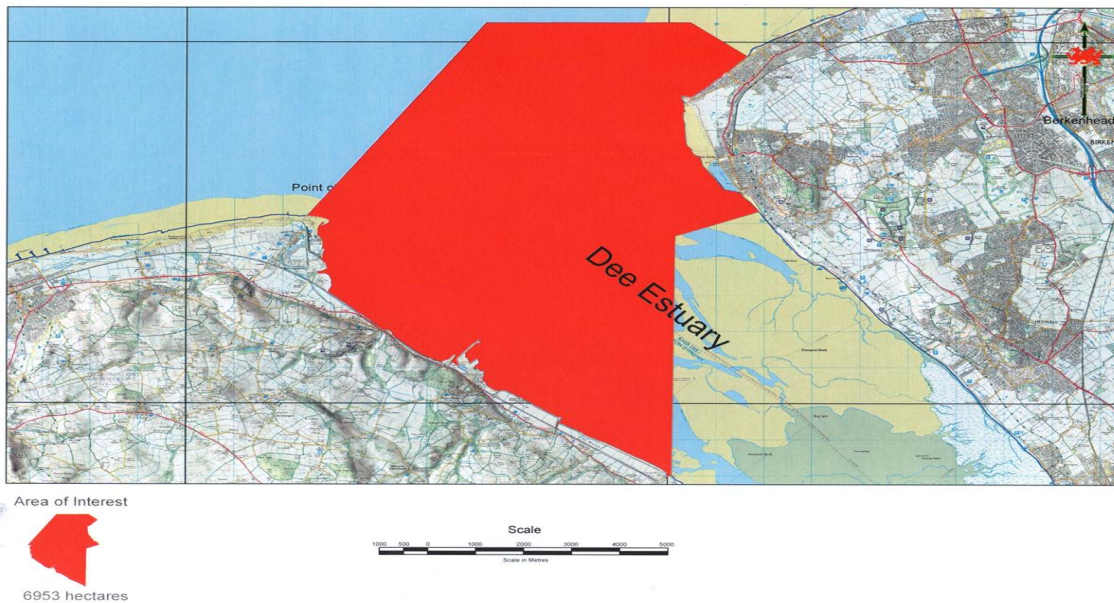
Cluff Natural Resources has decided to invest in a portfolio of Deep UCG licence areas that are considered suitable for the development of UCG in deep coal seams, deliberately avoiding the application of UCG to seams at shallow depth. The licence areas will have a wide range of coal thickness, coal type, depth and geographical location to provide a robust

opportunity to create a viable series of operations. These favourable licences were also selected since the drill hole platforms could be located on land rather than offshore on more costly facilities.

In January 2013, the Company was awarded 100 per cent. ownership of two conditional Deep UCG Licences, by the UK Coal Authority totalling 11,160 hectares as follows:

### Dee Estuary

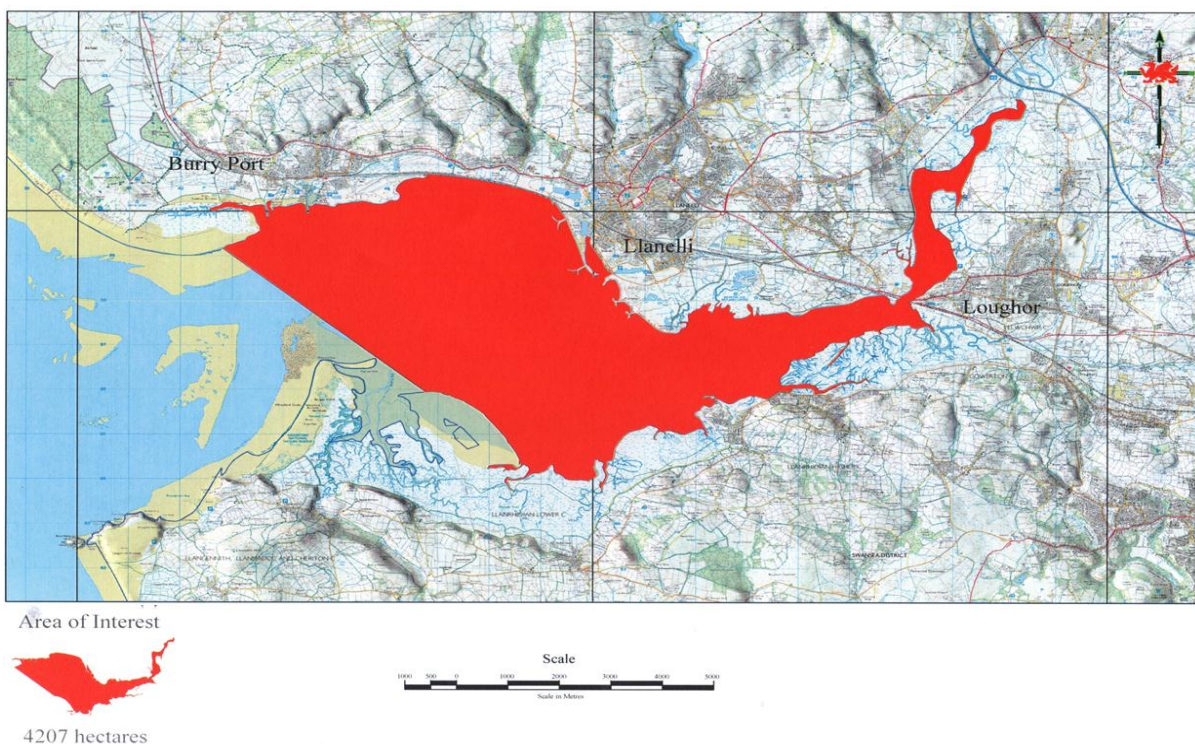
The map below shows the area of the Company's Deep UCG licence in the Dee Estuary:



The Dee Estuary Project, located on the borders of Merseyside and Northern Wales, consists of an area of 6,953 hectares.

### Loughor Estuary

The map below shows the area of the Company's Deep UCG licence in the Loughor Estuary:



The Loughor Estuary Project, located in Carmarthenshire, Wales, consists of a licence area of 4, 207 hectares.

### **Additional licences**

Four other potential licence areas have been identified and submitted to the Coal Authority for determination.

As and when the licences are granted by the Coal Authority the areas will be studied to identify the preferred location for a Deep UCG project. Initially this will involve a study of the previous mining history and geology within the licence areas, negotiations with landowners and the securing of Town and Country Planning and other consents. The technical team for the development of the licences will be led by Keith Leighfield, a highly experienced coal professional and former Chief Surveyor and Minerals Manager for British Coal and former Director of Licencing at the Coal Authority.

J G Cluff  
Chairman and Chief Executive

## **FINANCIAL REVIEW**

### **Loss for the period**

In the period to 31 December 2012 the Company incurred expenditure in the assessment and appraisal of a number of opportunities in accordance with the Company's investment strategy, in addition to administrative expenditure.

The Company incurred a loss for the period to 31 December 2012 of £821,730.

### **Cash flow**

On listing on AIM in May 2012 the Company issued 75 million shares by way of a placing of Ordinary Shares at 5 pence per share and a placing of 35,000,000 Warrants to subscribe for new Ordinary Shares, raising net proceeds of £3.4 million.

Cash used in operations totalled £767,695, in addition to £27,249 in investing activities.

### **Closing cash**

As at 31 December 2012, the Company held cash balances of £2.6 million.

Graham Swindells  
Chief Financial Officer

**Income Statement**  
**for the Period 21 February 2012 to 31 December 2012**

	Notes	£
<b>CONTINUING OPERATIONS</b>		
Revenue		–
Administrative expenses		(822,578)
<b>OPERATING LOSS</b>		<b>(822,578)</b>
<hr/>		
Finance income		848
<b>LOSS BEFORE TAX</b>		<b>(821,730)</b>
Tax		–
<b>LOSS FOR THE PERIOD</b>		<b>(821,730)</b>
<hr/>		
Loss per share expressed in pence per share:		
Basic and diluted	3	(1.29)p

**Statement of Comprehensive Income**  
**for the Period 21 February 2012 to 31 December 2012**

<b>LOSS FOR THE PERIOD</b>	(821,730)
<b>OTHER COMPREHENSIVE INCOME</b>	
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(821,730)</b>

**Balance Sheet**  
**as at 31 December 2012**

	Notes	£
<b>ASSETS</b>		
<hr/>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets		5,750
Property, plant and equipment		19,200
Other receivables	4	53,688
		<hr/> 78,638
<hr/>		
<b>CURRENT ASSETS</b>		
Other receivables	4	295,637
Cash and cash equivalents		2,602,127
		<hr/> 2,897,764
<b>TOTAL ASSETS</b>		<b>2,976,402</b>
<hr/>		
<b>EQUITY</b>		
<hr/>		

<b>SHAREHOLDERS' EQUITY</b>	
Share capital	435,000
Share premium	2,867,376
Warrant reserve	232,195
Retained deficit	(730,981)
<b>TOTAL EQUITY</b>	<b>2,803,590</b>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Trade and other payables	5 172,812
<b>TOTAL LIABILITIES</b>	<b>172,812</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,976,402</b>

**Statement of Changes in Equity  
for the Period 21 February 2012 to 31 December 2012**

	Share Capital £	Retained deficit £	Share premium £	Warrant reserve £	Total equity £
<b>Changes in equity</b>					
Issue of share capital and warrants	435,000	–	3,232,805	232,195	3,900,000
Expenses of issue	–	–	(365,429)	–	(365,429)
Share based payment	–	90,749	–	–	90,749
Loss for the period	–	(821,730)	–	–	(821,730)
<b>Balance at 31 December 2012</b>	<b>435,000</b>	<b>(730,981)</b>	<b>2,867,376</b>	<b>232,195</b>	<b>2,803,590</b>

**Cash Flow Statement  
for the Period 21 February 2012 to 31 December 2012**

	Notes	£
<b>Cash flows from operating activities</b>		
Cash used in operations	1	(767,695)
<b>Net cash used in operating activities</b>		<b>(767,695)</b>
<b>Cash flows used in investing activities</b>		
Purchase of intangible fixed assets		(6,000)
Purchase of property, plant and equipment		(21,249)
<b>Net cash used in investing activities</b>		<b>(27,249)</b>
<b>Cash flows from financing activities</b>		
Proceeds of share issue	2	3,762,500

Expenses of share issue		(365,429)
Net cash from financing activities		3,397,071
<b>Increase in cash and cash equivalents</b>		<b>2,602,127</b>
<b>Cash and cash equivalents at beginning of period</b>	3	–
<b>Cash and cash equivalents at end of period</b>	3	<b>2,602,127</b>

**Notes to the Cash Flow Statement  
for the Period 21 February 2012 to 31 December 2012**

**1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO  
CASH GENERATED FROM OPERATIONS**

	£
Loss before income tax	(821,730)
Depreciation charges	2,299
Share based payment	90,749
Directors' remuneration settled in shares	66,665
	(662,017)
Increase in trade and other receivables	(278,490)
Increase in trade and other payables	172,812
<b>Cash used in operations</b>	<b>(767,695)</b>

**2. PROCEEDS OF SHARE ISSUE**

The amounts disclosed on the statement of cash flow in respect of the proceeds of the share issue:

	£
Total value of shares issued	3,900,000
Less subscription shares issued	(100,000)
Less cash to be received in respect of share capital	(37,500)
<b>Total cash proceeds of share issue</b>	<b>3,762,500</b>

**3. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of this statement of financial position amount:

Period ended 31 December 2012

	<b>December 2012</b>	<b>February 2012</b>
	£	£
Cash and cash equivalents	2,602,127	-



# Notes to the Financial Statements

## 1. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the Company's statutory financial statements for the period ended 31 December 2012 but is derived from those financial statements. The statutory financial statements for 2012 will be delivered to the Registrar of Companies in due course.

The auditors have reported on the financial statements for the period ended 31 December 2012; 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) as endorsed for use in the European Union, 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 period ended 31 December 2012.

Copies of the Company's audited statutory accounts for the period ended 31 December 2012 will be available at the company's website at [www.cluffnaturalresources.com](http://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 May 2013.

## 2. EMPLOYEES AND DIRECTORS

	£
Wages and salaries	203,783
Social security costs	23,014
Share based payment	90,749
	<hr/> 317,546

The average monthly number of employees during the period was as follows:

Directors	6
Administrative	3
	<hr/> 9

Directors' remuneration	£
Salaries and fees	140,357
Health benefits	10,163
	150,520

The highest paid director in the period was J G Cluff who received £83,855.

### 3. LOSS PER SHARE

The calculation of basic loss per Ordinary share attributable to equity holders of the Company is based on a loss of £821,730 and on 63,549,547 Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

There is no difference between the diluted loss per share and the basic loss per share as the Company reported a loss for the period. 33,371,629 potential Ordinary shares have been excluded from the calculation of loss per share on the basis that they are anti-dilutive.

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

### 4. TRADE AND OTHER RECEIVABLES

	£
Current:	
Other receivables	159,555
Amount receivable from related parties	42,420
Prepayments	93,662
	295,637
Non-current:	
Rental deposit	53,688
Aggregate amounts	349,325

Included within amounts receivable from related parties are amounts due from Cluff Africa Associates UK Limited of £42,420 and an amount due from Cluff Coal Limited of £1,984. The amount due from Cluff Coal has been provided for. The amount due from Cluff Africa Associates UK Limited is secured by a fixed charge over the assets of that company.

### 5. TRADE AND OTHER PAYABLES

£

Current:	
Trade creditors	16,280
Social security and other taxes	28,635
Accrued expenses	127,897
	<hr/>
	172,812
	<hr/>

## 6. POST BALANCE SHEET EVENTS

On 23 January 2013, 4,500,000 options over Ordinary shares of £0.005 each in the Company were granted. These share options have a weighted average exercise price of £0.0641 per share and amount to 5 per cent. of the total issued share capital. The share options vest in 12 months and are exercisable over 10 years. On 4 April 2013 1,500,000 of the options lapsed on the cessation of employment. The remaining share options have a weighted average exercise price of £0.074.

On 14 January 2013 following a formal offer from The Coal Authority, sponsored by the UK Department of Energy & Climate Change, the Company was awarded Conditional Underground Coal Gasification Licences for two prospects in the UK. The Loughor Estuary Project, located in Carmarthenshire Wales, consists of a 4,207 hectare area and the Dee Estuary Project, located on the borders of Merseyside and Northern Wales, consists of a 6,953 hectare licence area. Cluff Natural Resources has a 100 per cent. working interest within the licences.

**\*\*ENDS\*\***

For further information visit [www.cluffnaturalresources.com](http://www.cluffnaturalresources.com) or contact the following:

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