

**CLUFF RESOURCES PACIFIC NL  
ABN 72 002 261 565  
AND CONTROLLED ENTITIES**

**INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 30 JUNE 2010**

**CLUFF RESOURCES PACIFIC NL  
ABN 72 002 261 565  
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

Your Directors submit the financial report of the consolidated entity for the half-year ended 30 June 2010.

**Directors**

The names of directors who held office during the half-year:

Mr Peter J Ashcroft

Mr Peter J Kennewell (terminated 8 June 2010)

Mr Scott M Enderby

Mr Ian A Johns

**Consolidated Results**

The consolidated loss of the consolidated entity after provision of income tax for the half-year was \$306,093.

**Review of Operations**

The Company's exploration activity was exclusively focused on the Bingara Diamond project, where a bulk sampling percussion drilling program was commenced in order to ascertain the diamond content of a layer of claystone, suggested by Mr Kennewell to be a non-alluvial host or source rock for the near surface diamonds that had been located by the company during its recent exploration program..

The tin, gold and sapphire exploration projects were not the priority whilst efforts were focused on diamonds, and there was little activity on these projects during the half year as a result.

**Significant Changes in the State of Affairs**

Sale of the Company's head office and warehouse premises at Hornsby was completed at a value of \$520,000, of which \$180,000 was made available in cleared funds after the mortgage over the premises was discharged and sale costs deducted. The Company has subsequently relocated to new office premises in Sydney's CBD.

\$425,000 was raised via a placement to sophisticated investors, who were issued a total of 94,444,444 fully paid ordinary shares and 94,444,444 free attaching 31 July 2011 \$0.01 listed options at a price of \$0.0045 per share. Following approval from shareholders at the AGM on the 8<sup>th</sup> of June, another \$500,000 was also placed with Firebird Global Master Fund (111,111,111 shares and options) under the same terms as the first placement. At the same meeting, the majority of shareholders voted to terminate the services of Peter Kennewell as a Managing Director and as a Director of the company.

**Adoption of Australian Equivalents to IFRS**

This interim financial report has been prepared under Australian Equivalents to IFRS.

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**DIRECTORS' REPORT (CONT.)**

**Matters subsequent to the end of the half year**

On the 28<sup>th</sup> of July Cluff announced that it has entered into an MOU with major listed Indian entity Varun Industries Limited (Varun) for the exploration and development of gold, platinum and gemstone projects on highly prospective granted tenements in Madagascar. The terms of the MOU provide for the establishment of an exploration joint venture over highly prospective tenements in southern Madagascar.

The company completed a comprehensive review of its recent exploration program at Bingara and its processing at Copeton and Inverell. The company is in the process of re-organising its equipment requirements so that it has modern and efficient operations in the future.

The review of its recent exploration program has encouraged the company to re-examine all its detailed data on the north west trend within its exploration tenement from Monte Christo to Craddocks to Upper 4 Mile and onto Eaglehawk. A program of scientific analysis of the data and the methodology is now being undertaken.

**Auditor's Declaration**

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 3 for the half year ended 30 June 2010.

This report is signed in accordance with a resolution of the Board of Directors

  

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PETER ASHCROFT  
Chairman  
10 September 2010

  

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SCOTT M ENDERBY  
Director  
10 September 2010

**CLUFF RESOURCES PACIFIC NL  
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**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF CLUFF RESOURCES PACIFIC NL**

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2010, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Chartered Accountant

10 September 2010  
Sydney

**CLUFF RESOURCES PACIFIC NL  
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DIRECTORS' DECLARATION**

**The directors' of the company declare that:**

1. The financial statements and notes:
  - i) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
  - ii) give a true and fair view of the financial position as at 30 June 2010 and of the performance of the consolidated entity for the half-year then ended;
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Made in accordance with a resolution of the Board of Directors.

  

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PETER ASHCROFT  
Chairman  
Dated at Sydney on  
10 September 2010

  

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SCOTT ENDERBY  
Director  
Dated at Sydney on  
10 September 2010

**CLUFF RESOURCES PACIFIC NL**  
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**CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME  
FOR THE HALF YEAR ENDED 30 JUNE 2010**

	Note	June 2010 \$	June 2009 \$
Sales revenue		1,358	8,885
Other Revenue		173,619	192,084
Cost of sales		(951)	(7,935)
Gross profit		<u>174,026</u>	<u>193,034</u>
Depreciation and amortisation expense		(28,946)	(39,161)
Impairment expense		-	(22,677)
Employee benefits expense		(185,161)	(159,504)
Due diligence and professional services		(35,298)	(82,909)
Finance costs		(16,118)	(13,970)
Exploration expenditure		(50,289)	(89,847)
Other expenses		<u>(164,307)</u>	<u>(103,583)</u>
Loss from ordinary activities before income tax expenses	2	(306,093)	(318,617)
Income tax expense relating to ordinary activities		-	-
Loss attributable to members of the parent entity		<u>(306,093)</u>	<u>(318,617)</u>
Basic earnings per share (cents per share)		<u>(0.01) cents</u>	<u>(0.03) cents</u>

The accompanying notes form an integral part of this statement of financial performance.

**CLUFF RESOURCES PACIFIC NL**  
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**CONSOLIDATED STATEMENT OF**  
**FINANCIAL POSITION**  
**AS AT 30 JUNE 2010**

	<b>June 2010 \$</b>	<b>June 2009 \$</b>
<b>CURRENT ASSETS</b>		
Cash assets	894,133	416,086
Inventories	98,468	99,419
Receivables	71,702	5,519
<b>TOTAL CURRENT ASSETS</b>	<b>1,064,303</b>	<b>521,024</b>
<b>NON-CURRENT ASSETS</b>		
Receivables	214,568	-
Other financial assets	-	-
Property, plant and equipment	262,355	635,038
Exploration, evaluation and pre-development expenditure	11,300,465	10,554,770
Development properties	-	2,292,890
<b>TOTAL NON-CURRENT ASSETS</b>	<b>11,777,388</b>	<b>13,482,698</b>
<b>TOTAL ASSETS</b>	<b>12,841,691</b>	<b>14,003,722</b>
<b>CURRENT LIABILITIES</b>		
Director loans	-	380,000
Payables	287,921	316,601
Provisions	85,923	143,917
<b>TOTAL CURRENT LIABILITIES</b>	<b>373,844</b>	<b>840,518</b>
<b>NON CURRENT LIABILITIES</b>		
Long term borrowings	-	330,000
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>-</b>	<b>330,000</b>
<b>TOTAL LIABILITIES</b>	<b>373,844</b>	<b>1,170,518</b>
<b>NET ASSETS</b>	<b>12,467,847</b>	<b>12,833,204</b>
<b>EQUITY</b>		
Issued capital	52,541,418	49,888,,859
Reserves	108,516	108,516
Accumulated losses	(40,182,087)	(37,164,171)
<b>TOTAL EQUITY</b>	<b>12,467,847</b>	<b>12,833,204</b>

The accompanying notes form an integral part of this statement of financial position.

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**CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 30 JUNE 2010**

	Issued Capital	Asset Revaluation Reserve	Retained Earnings	Total
	\$	\$	\$	\$
<b>Balance at 1 January 2009</b>	49,888,859	108,516	(36,845,553)	13,151,822
Shares issued during the year	-	-	-	-
Loss attributable to members	-	-	(318,618)	(318,618)
<b>Balance at 30 June 2009</b>	49,888,859	108,516	(37,164,171)	12,833,204
<b>Balance at 1 January 2010</b>	51,571,130	108,516	(39,875,994)	11,803,652
Shares issued during the year	970,288	-	-	970,288
Loss attributable to members	-	-	(306,093)	(306,093)
<b>Balance at 30 June 2009</b>	52,541,418	108,516	(40,182,087)	12,467,847

The accompanying notes form an integral part of this statement of changes in equity.



**CLUFF RESOURCES PACIFIC NL**  
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**CONSOLIDATED STATEMENT OF**  
**CASH FLOWS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2010**

	<b>June 2010 \$</b>	<b>June 2009 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	1,432	14,925
Payments to suppliers and employees	(507,584)	(270,636)
Interest received	10,525	4,766
Finance costs	(16,118)	(13,970)
Goods and services tax paid	-	(47,468)
<b>Net operating cash flows</b>	<b>(511,745)</b>	<b>(312,383)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and development	(279,191)	(250,449)
Payments for property, plant & equipment	(24,504)	-
Proceeds from sale of plant & equipment	509,477	181,278
<b>Net investing cash flows</b>	<b>205,782</b>	<b>(69,171)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	989,038	-
Cost of raising share equity	(18,750)	-
Director Loans	(330,000)	380,000
<b>Net financing cash flows</b>	<b>640,288</b>	<b>380,000</b>
<b>Net (decrease) / increase in cash</b>	<b>334,325</b>	<b>(1,554)</b>
Adjustment for reclassification of cash assets to non-current receivables	(214,568)	-
<b>Cash at beginning of the year</b>	<b>774,376</b>	<b>417,640</b>
<b>Cash at end of the period</b>	<b>894,133</b>	<b>416,086</b>

The accompanying notes form an integral part of this statement of cash flows.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2010**

**Note 1: Basis of Preparation**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001. Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2009 and any public announcements made by Cluff Resources Pacific NL and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the 31 December 2009 financial report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

*Reporting Basis and Conventions*

The half-year financial report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

**Note 2: Going Concern**

The Directors have prepared the half-year financial report on the basis that the Company is a going concern. During the half-year ended 30 June 2010, the Company incurred a net loss of \$306,093.

The ability of the Company to continue as a going concern depends upon the generation of future cash inflows, through one or more of the following avenues:

- The inflow of revenue;
- The receipt of additional debt or equity funds;
- The disposal of fixed and non-current assets.

Any inability to obtain these additional cash inflows may have a material adverse effect on the Company's ability to continue as a going concern.

## **Independent Review Report**

To the Members of Cluff Resources Pacific NL:

### **Scope of Review**

I have reviewed the accompanying half-year financial report of Cluff Resources Pacific NL and Controlled Entities (the consolidated entity) which comprises the balance sheet as at 30 June 2010 and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' responsibility for the Half-Year Financial Report.

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

My responsibility is to express a conclusion on the half-Year financial report based on my review. I conducted my review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Report Performed by an Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, I have become aware of any matter that makes me believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial reporting and the Corporations Act 2001. As auditor of Cluff Resources Pacific NL and Controlled Entities, ASRE 2410 requires that I comply with the ethical requirements relevant to the audit of the annual financial audit.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

### **Independence**

In conducting my review, I have complied with the independence requirements of the Corporations Act 2001. I confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Cluff Resources Pacific NL and controlled Entities on 10 September 2010 would be in the same terms if provided to the directors as at the date of this auditor's review report.

## Conclusion

Based on my review, which is not an audit, I have not become aware of any matter that makes me believe that the half-year financial report of Cluff Resources Pacific NL and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- A. Giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the half-year ended on that date; and
- B. Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A handwritten signature in blue ink that reads "Ronald Smith". The signature is written in a cursive style with a large initial 'R'.

Ronald Smith & Co  
Chartered Accountant

Ronald Hamilton Smith  
Suite 101  
10 Edgeworth David Avenue  
Hornsby NSW 2077

10 September 2010