



Xtract Resources plc - XTR

Half Yearly Report

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30 September 2014

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Xtract Resources Plc
("Xtract" or "the Company")

Interim Results

Xtract Resources Plc (AIM: XTR) announces its unaudited interim results for the six months ended 30 June 2014.

The Company has delivered on acquiring an operating Gold-Copper mine in Chile that has enabled it to achieve the transition from junior explorer to junior miner with the ability to generate cash flow. Significant capital has been invested in the mine during the period under review to open new mining areas and as a result the mine is poised to deliver planned returns in the next six months.

Financial Highlights

- Revenue of £0.60 million (30 June 2013: £Nil)
- Net loss of £1.00 million (30 June 2013: £0.01 million profit)
- Operating expenses of £0.94 million (30 June 2013: £0.25 million)
- Cash of £0.02 million (31 December 2013: £0.16 million)
- Capital investment of £0.40 million (30 June 2013: £Nil)
- Net assets of £3.28 million (31 December 2013: £2.27 million)

Operational and Corporate Highlights

- Completed financing package with Yorkville Advisers LLC, consisting of debt of US\$5 million and equity of US\$1.4 million
- On 24 February 2014 shareholders approved the acquisition of Chepica Gold and Copper Mine and the Mejillones Phosphate Project in Chile.
- Strengthening of management team with the appointment of Eduard Victor as Chief Operating Officer, Peet Prinsloo as Chief Technical Officer and Albert Pretorius as Mining Executive
- Development of four new levels that will be ready for mining in the next 6 months and will add significant mining flexibility
- Instalment of a new ball mill at the mine that will increase milling capacity
- Stabilized plant recoveries at between 70 to 85% and concentrate grades of between 40g/t to 65g/t

Post-period Event

- Sale of 5 million shares in Global Oil Shale Group Limited ('GOS') for a total consideration of £1.2 million
- Implemented a new Mineral Resource System that has had the result that mining grade has improved by over 1g/t in terms of gold content
- Reduced the total labour complement on the mine by 15% and mechanized the mining operation

Jan Nelson, CEO, commented: "In a very short period of time, we raised capital in very difficult financial markets, acquired an operating asset, invested capital in the development of the Chepica Gold and Copper mine and put an operational team in place.

In effect the Company has now made the transition from junior explorer to junior miner that has the ability to generate positive cash flow. This is key to unlocking future value for shareholders. Despite some operational challenges, which is to be expected in starting up a new mine, we have subsequently increased production volumes steadily through an aggressive development programme and increased the recovery grades from the Chepica mine. I look forward to reporting on further progress at Chepica over the next six months."

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CHIEF EXECUTIVE OFFICER'S REVIEW

Having joined the Board of Xtract in May 2013, this is my second interim report as the Chief Executive Officer of Xtract. The first six months of 2014 has been a period of consolidation continuing the process which was initiated in late 2012 of divesting of our oil and gas projects, re-organising the financial structure of the company and focusing on identifying, and acquiring an operational mine that would be able to generate cash flow within six to nine months.

During the period under review, the board identified three key areas of focus upon the completion of the acquisition of the Chepica Gold and Copper Mine (the "Mine"):

- Develop and open up four new levels in the Central Part of the Mine that would be ready for mining in the second half of 2014 and generate positive cash flow
- Strengthen the operational management team
- Maintain steady state output in volume, grade and recovery at the Mine

Despite a number of operational challenges (which are discussed below), all three focus areas have successfully been achieved during the period under review. The Mine is cash positive before capital expenditure as per the strategic plan. The Company will continue to invest significant capital in the next six months at the Mine to ensure that the Mine will continue to be able to deliver positive returns over the course of the next three years.

The capital investment will focus on underground infrastructure, additional mining equipment and certain upgrades in the treatment plant.

Completion of the acquisition of Minera Polar Limitada

The Company achieved a significant milestone with the completion of the acquisition of the Mine from Polar Star Mining Corporation. This marked the first stage of the Company, becoming a producer of gold and copper in South America. The Mine will enable the Company to generate cash flow within six to twelve months which will provide the required capital for the continued development of the mine.

Chepica gold and copper project, Chile

Our strategy of focusing on accelerating the development of on and off reef ends has paid off and four new levels have now been opened up and will be ready for mining in the next six months. Management has been strengthened with the appointment of Eduard Victor as COO, Peet Prinsloo as Chief Technical Officer and Albert Pretorius as Mining Executive. The Mine is maintaining throughput of between 5,000 and 7,000 tons per month and this expected to increase to 8,500 to 9,000 tons per month when a new ball mill is commissioned in October 2014. Plant grades have been increased from 40 to 50g/t to 60 to 80g/t and recoveries are stable at between 70 and 85%.

The following milestones have been achieved;

- March 2014 - Establishment of a new access portal on Chepica Main ore-zone which allows for increased underground mining volumes
- April 2014 - Installation of new flotation float cells in plant and change of plant set-up leading to improved recoveries from 55% to 85%
- June 2014 - Developed and opened up four new levels with over 400 metres of high grade mining areas
- July 2014 - Implemented a new Mineral Resource System that improved mining grade by over 1g/t in terms of gold content
- August 2014 - Reduced the total labour compliment on the mine by 15% and mechanized the mining operation
- September 2014 - Acquired and poured the foundations for a ball new mill that will enable the Mine to increase mill throughput to 9,500t/month from 5,500t/month (commissioning of the mill is planned for October 2014)

As with any start-up mining operation, some challenges were experienced which primarily delayed the short term capex programme and are discussed below. These have been addressed and plans put in place to ensure these issues are mitigated moving forward.

- June 2014 - Unforeseen Mill failure that reduced milling capacity of the mine by over 50% and also impacted on grades and revenue stream for two months of production
- August - 2014 - Major Fall of Ground due to excessive rain that resulted in closure of part of the mine and restricted ventilation underground

As a result of the poor ground conditions a strategic decision was taken to focus mining on the Chepica Main ore-zone and accelerate development in this area. As a result, mining moved away from the upper zone of weak ground conditions and is now in much more competent rock. This strategy also allowed the team to focus on one area for the meantime thereby optimizing the usage of mining equipment and improving efficiencies and production output.

In addition, following the increased development work and the drilling programme which have been carried out over the past month, Xtract has now opened up a new payzone which is currently running at 70-80 g/t. Once steady state production is reached within the next six months from the Chepica Main ore-zone the Company will target the remaining three mines. An exploration core drilling machine has been acquired and the remaining zones will be drilled during this period to allow for more efficient mining lay-outs to be planned across the asset.

Chepica Tailings Scoping Study: In addition to the development work on the Mine, the Company is continuing work on a scoping study to evaluate the viability of mining the current tailings dam, which has an average in situ grade of 1.3g/t, in order to further increase the overall production profile of the project.

Mejillones phosphate project, Chile

The Company is in discussions regarding the divestment of the Mejillones phosphate deposit that will enable management to focus on the Mine whilst strengthening the balance sheet. The Company will update shareholders accordingly in due course.

Investment in Global Oil Shale Group Limited ("GOS")

The Company was initially issued 6,000,000 shares in GOS at a subscription price of 12p, in December 2012, as part of the disposal of the Julia Creek oil shale tenements in Queensland, Australia with an additional 1,371,365 issued in December 2013 at 40p. As at 30 June 2014 Xtract held 7,371,365 shares in GOS with a value of £1.77 million, with an additional 1.5 million shares to be issued if, as is intended, GOS lists on a Stock Exchange or any other market.

On 10 July 2014, the Group sold 5,000,000 shares in GOS at £0.24 pence per share, for a total consideration of £1.19 million.

Outlook

The Board remains focused on achieving consistent production output and generating cash flow from the Chepica Mine in Chile. Following further detailed examination the decision has been taken to divest of the Mejillones phosphate deposit.

In this regard three key focus areas have been targeted over the next six months:

- Increase Mineral Resource and increase the Life of Mine ("LOM") at Chepica
- Reduce capital expenditure once peak production of ore output of 8,500 to 9,000 tons per month is achieved
- Continue to strengthen the balance sheet

Over the next six months the management team will continue to focus on generating the positive cash flow from Chepica that will position the Company for further expansion around the current geographical area.

I would like to thank our team, our shareholders and the Board and we look forward to reporting positive operational progress within the next six months.

Jan Nelson

Chief Executive Officer

30 September 2014

Xtract Resources PLC

Consolidated Income Statement

For the six months period ended 30 June 2014

	Notes	Six months ended		Year ended
		30 June 2014	30 June 2013	31 December 2013
		Unaudited	Unaudited	Audited
		£'000	£'000	£'000
Continuing operations				
Concentrate Revenue		636	-	-
Less: Cost of sales		(493)	-	-
Gross Profit:		143	-	-
Administrative and operating expenses		(944)	(251)	(803)
Project expenses		(88)	-	(350)
Operating loss		(889)	(251)	(1,153)
Other gains and losses		-	282	840
Finance (cost)/income		(120)	5	81
(Loss)/profit before tax		(1,009)	36	(232)
(Loss)/profit for the period from continuing operations	3	(1,009)	36	

				(232)
(Loss)/profit for the period from discontinued operations	3	-	(27)	104
(Loss)/profit for the period	5	(1,009)	9	(128)
Attributable to:				
Equity holders of the parent		(1,009)	9	(128)
Non-controlling interest		-	-	-
		(1,009)	9	(128)
Net (loss)/profit per share				
Continuing		(0.00)	0.00	(0.00)
Discontinued		(0.00)	0.00	0.00
Basic (pence)	5	(0.00)	0.00	(0.00)
Continuing		(0.00)	0.00	(0.00)
Discontinued		(0.00)	0.00	0.00
Diluted (pence)	5	(0.00)	0.00	(0.00)

Xtract Resources PLC
Consolidated statement of comprehensive income
For the six months ended 30 June 2014

	Six months ended		Year ended
	30 June 2014 Unaudited £'000	30 June 2013 Unaudited £'000	31 December 2013 Audited £'000
(Loss)/profit for the period	(1,009)	9	(128)
Revaluation of available-for-sale investments	(810)	145	1,602
Revaluation realisation on disposal of available-for-sale investments	-	(291)	(291)
Exchange differences on translation of foreign operations	105	13	(379)
Other comprehensive (loss)/income for the period	(705)	(133)	932
Total comprehensive (loss)/income for the period	(1,714)	(124)	804
Attributable to:			
Equity holders of the parent	(1,714)	(124)	804
Non-controlling interest	-	-	-
	(1,714)	(124)	804

Xtract Resources PLC
Consolidated statement of changes in equity
For the period ended 30 June 2014

Share Capital £'000	Share premium account £'000	Warrant reserve £'000	Share-based payments reserve £'000	Available-for- sale investment reserve £'000	Foreign currency translation	Accumulated losses £'000	Total Equity £'000
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						reserve £'000		
Balance at 31 December 2012	1,623	35,832	78	871	146	(15)	(37,163)	1,372
Profit for the period	-	-	-	-	-	-	9	9
Foreign currency translation difference	-	-	-	-	-	13	-	13
Revaluation of available-for-sale investments	-	-	-	-	145	-	-	145
Revaluation realisation on disposal of available-for-sale investments	-	-	-	-	(291)	-	-	(291)
Share based payment expense	-	-	-	11	-	-	-	11
Balance at 30 June 2013	1,623	35,832	78	882	-	(2)	(37,154)	1,259
Profit for the period	-	-	-	-	-	-	(137)	(137)
Foreign currency translation differences	-	-	-	-	-	(392)	-	(392)
Revaluation of available-for-sale investments	-	-	-	-	1,457	-	-	1,457
Issue of Shares	4	73	-	-	-	-	-	77
Share based payment expense	-	-	-	118	-	-	-	118
Expiry of share options	-	-	-	(166)	-	-	166	-
On disposal	-	-	-	-	(146)	-	-	(146)
Issue of warrants	-	-	31	-	-	-	-	31
Balance at 31 December 2013	1,627	35,905	109	834	1,311	(394)	(37,125)	2,267
Loss for the period	-	-	-	-	-	-	(1,009)	(1,009)
Foreign currency translation difference	-	-	-	-	-	105	-	105
Revaluation of available-for-sale investments	-	-	-	-	(810)	-	-	(810)
Issue of Shares	124	2,569	-	-	-	-	-	2,693
Share based payment expense	-	-	-	29	-	-	-	29
Balance at 30 June 2014	1,751	38,474	109	863	501	(289)	(38,134)	3,275

Xtract Resources PLC
Consolidated Balance Sheet
As at 30 June 2014

	Notes	30 June 2014 Unaudited £'000	30 June 2013 Unaudited £'000	31 December 2013 Audited £'000
Non-current assets				
Intangible Assets		4,646	-	-
Property, plant & equipment	7	1,117	-	-
Financial assets available-for-sale	6	1,770	720	2,580
		7,533	720	2,580
Current assets				
Trade and other receivables		1,368	119	61
Cash and cash equivalents		19	600	159
		1,387	719	220
Total assets		8,920	1,439	2,800
Current liabilities				
Trade and other payables		3,425	180	350
Interest bearing		93	-	183
		3,518	180	533
Non-current liabilities				
Other payables		1,795	-	-
Provisions		66	-	-
Reclamation and mine closure provision		266	-	-
		2,127	-	-
Total liabilities		(5,645)	180	533
Net current assets/(liabilities)		(2,131)	539	(313)

Net assets		3,275	1,259	2,267
Equity				
Share capital	11	1,751	1,623	1,627
Share premium account		38,474	35,832	35,905
Warrant reserve		109	78	109
Share-based payments reserve		863	882	834
Available-for-sale investment reserve		501	-	1,311
Foreign currency translation reserve		(289)	(2)	(394)
Accumulated losses		(38,134)	(37,154)	(37,125)
Equity attributable to equity holders of the parent		3,275	1,259	2,267
Non-controlling interest		-	-	-
Total equity		3,275	1,259	2,267

**Xtract Resources PLC Consolidated Statement of Cash Flows
For the six months period ended 30 June 2014**

	Notes	6 months period ended 30 June 2014 Unaudited £'000	6 months period ended 30 June 2013 Unaudited £'000	Year ended 31 December 2013 Audited £'000
Net cash used in operating activities	12	(840)	(266)	(960)
Investing activities				
Acquisition of subsidiary undertaking		(485)	-	-
Acquisition of intangible fixed assets		(196)	-	-
Acquisition of tangible fixed assets		(21)	-	-
Proceeds from disposal of available for sale investment		-	648	648
Net cash from/(used in) investing activities		(702)	648	648
Financing activities				
SEDA backed loan		(89)	-	182
Proceeds on issue of shares		1,443	-	76
Loans from Directors		46	-	-
Net cash from financing activities		1,400	-	258
Net increase/(decrease) in cash and cash equivalents		(142)	382	(54)
Cash and cash equivalents at beginning of period		159	215	215
Effect of foreign exchange rate changes		2	3	(2)
Cash and cash equivalents at end of period		19	600	159

Significant Non Cash movements

The assets and liabilities of Polar Mining (Barbados) Limited and its subsidiary undertaking, Minera Polar Mining Chile Limitada, were acquired by the issue of Ordinary shares of 0.01p each to a value of £1,250,000, in addition to cash consideration of £558,000.

Xtract Resources PLC

**Notes to the interim financial information
For the six months ended 30 June 2014**

1. General information

Xtract Resources PLC ("Xtract") is a company incorporated in England and Wales under the Companies Act 2006. The Company's registered address is 4th Floor, 2 Cromwell Place, South Kensington, London SW7 2JE. The Company's ordinary shares are traded on the AIM market of the London Stock Exchange. The Company invests and engages in the management, financing and development of early stage resource assets.

2. Accounting policies

Basis of preparation

Xtract prepares its annual financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

The consolidated interim financial information for the period ended 30 June 2014 presented herein has been neither audited nor reviewed. The information for the period ended 31 December 2013 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 but has been derived from those accounts. The auditor's report on those accounts was not qualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006 but did draw attention by way of emphasis to the significant uncertainty around the going concern assumption. As permitted, the Group has chosen not to adopt IAS 34 'Interim Financial Reporting'.

The interim financial information is presented in pound sterling and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated.

The interim consolidated financial information of the Group for the six months ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 29 September 2014.

Going concern

The Group has begun generating cash inflows from its revenues generated from the Chepica mine in Chile. These operations are currently generating a small positive cash flow.

In addition, the Group holds 7,371,365 million Global Oil Shale shares with a market value of £1,769,000 as at 30 June 2014. On 10 July 2014, 5 million shares were disposed of for a consideration of £1,189,000, while the Group retains 2,371,365 million shares, with an additional 1.5 million shares to be allotted immediately prior to GOS listing on a stock exchange or other market.

The Group has also entered into a SEDA backed loan agreement, which enables the Group to draw up to £3.0 million (US\$5.0 million). At the balance sheet date, facilities of £2.8 million (US\$4.7 million) remain undrawn.

Therefore, the Directors continue to adopt the going concern basis of accounting in preparing this financial information.

2. Accounting policies (continued)

Investment in Subsidiary

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Changes in accounting policy

The accounting policies applied are consistent with those adopted and disclosed in the Group Consolidated financial statements for the year ended 31 December 2013, except for the changes arising from the adoption of new accounting pronouncements detailed below.

The following accounting amendments and interpretation became effective in the current reporting period:

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

IAS 36 Amendments Recoverable Amount Disclosures for non-Financial Assets

IFRIC 21 Levies

None of the above standards had any material impact on the financial statements.

New Accounting policies:

Finance Leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in the finance lease obligation. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Non-current assets under finance leases are

depreciated over the useful life of the asset, under the reasonable expectation that the group will obtain ownership of the leased asset at the end of the lease term.

2. Accounting policies (continued)

Reclamation cost and mine closure provision

The Group records a liability and corresponding asset for the present value of the estimated costs of legal and constructive obligations for future site reclamation and closure where the liability is probable and reasonable estimate can be made of the obligation. The estimated present value of the obligation is reassessed on an annual basis or where new material information becomes available. Increases or decreases to the obligation usually arise due to change in legal or regulatory requirements, the extent of environmental remediation required, methods of reclamation, cost estimates, or discount rates. The present value is determined based on current market assessments of the time value of money using discount rates specific to the country in which the reclamation site is located and is determined as the risk-free rate of borrowing approximated by the yield on sovereign debt for that country, with a maturity approximating the end of mine life.

Revenue recognition

Revenue is measured at the fair value of the consideration receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value-added tax. Interest is recognised in profit and loss, using the effective interest rate method.

3. Business segments

Segmental information

For management purposes, the Group has been organised into three operating divisions: Oil & Gas exploration, Investment and Mining Exploration. These divisions have been the basis on which the Group reports its primary segment information.

The Group's reportable segments under IFRS 8 are therefore as follows:

- Investment and other - Corporate;
- Mining Exploration- Mining Production Segment since March 2014;
- Oil & Gas Exploration- of the Group's interests in Turkey, the Netherlands and Denmark (Segment discontinued in 2012, with further costs in 2013);

Segment results

6 months ended 30 June 2014

	Investment and Other (Continuing) £'000	Mining exploration £'000	Total £'000
Segment revenue			
Concentrate Revenue	-	636	636
Less: Cost of sales	-	(493)	(493)
Segment Gross profit		143	143
Administrative and operating expenses	(574)	(434)	(1,008)
Segment result	(574)	(291)	(865)
Other gain and losses	-	-	-
Finance costs	(123)	(21)	(144)
Loss before tax	(697)	(312)	(1,009)
Tax	-	-	-

Loss for the period	(697)	(312)	(1,009)
Segment results			
6 months ended 30 June 2013	Investment and Other (Continuing) £'000	Oil & Gas exploration (Discontinued) £'000	Total £'000
Segment revenue			
Administrative and operating expenses	(251)	(27)	(278)
Segment result	(251)	(27)	(278)
Other gains and losses	282	-	282
Finance income/(costs)	5	-	5
Profit/(loss) before tax	36	(27)	9
Tax	-	-	-
Profit/(loss) for the period	36	(27)	9

3. Business segments (continued)

Segment results

Year ended 31 December 2013

	Investment and other (Continuing) £'000	Oil & Gas exploration (Discontinued) £'000	Total £'000
Segment revenue			
Administrative and operating expenses	(803)	(55)	(858)
Project Cost	(350)	-	(350)
Segment result	(1,153)	(55)	(1,208)
Finance income/(costs)	81	159	240
Other gains and losses	840	-	840
Profit/(loss) before tax	(232)	104	(128)
Tax	-	-	-
Profit/(loss) for the period	(232)	104	(128)

Segment Assets	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000
Continuing			
Investment & other	2,226	1,355	2,787
Mining exploration	6,668	-	-
Discontinued			
Oil & gas exploration	26	84	13
Total segment assets	8,920	1,439	2,800

The accounting policies of the reportable segments are the same as the Group's accounting policies which are described in the Group's latest annual financial statements. Segment results represent the profit earned by each segment without allocation of the share of profits of associates, central administration costs including directors' salaries, investment revenue and finance costs, and income tax expense. This is the measure reported to the Group's Board for the purposes of resource allocation and assessment of segment performance.

4. Tax

At 30 June 2014 the Group has no deferred tax assets or liabilities.

5. Loss per share

The calculation of the basic and diluted loss per share is based on the following data:

Six months ended			Year ended
Losses	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000

(Losses)/profit for the purposes of basic earnings per share being net loss attributable to equity holders of the parent	(1,009)	9	(128)
Number of shares			
Weighted average number of ordinary and diluted shares for the purposes of basic earnings per share	3,207,405,355	2,306,105,129	2,307,917,517
(Loss)/profit per ordinary share basic and diluted (pence)	(0.00)	0.00	(0.00)

Where a loss has occurred, basic and diluted earnings per share are the same because the outstanding share options and warrants are anti-dilutive.

6. Financial assets available for sale

Details of the Group's available-for-sale investments as at 30 June 2014 are as follows:

	30 June 2014 £'000	30 June 2013 £'000	31 December 2013 £'000
At beginning of the period	2,580	1,223	1,223
Additions	-	-	549
Disposal	-	(357)	(648)
Movement in fair value	(810)	(146)	1,456
At the end of the period	1,770	720	2,580

7. Property, plant and equipment

Cost or fair value on acquisition of subsidiary	Mining plant & equipment £'000	Land & Buildings £'000	Furniture & Fittings £'000	Total £'000
At 1 January 2014	-	-	-	-
Additions - at fair value	1,043	80	10	1,133
- at cost	21	-	-	21
At 30 June 2014	1,063	80	10	1,154
Depreciation				
At 1 January 2014	-	-	-	-
Charge for the period	37	-	-	37
At 30 June 2014	37	-	-	37
Net book value				
At 30 June 2014	1,027	80	10	1,117
At 1 January 2014	-	-	-	-

8. Deferred Exploration Cost

Investment in Chepica Project

	30 June 2014 £'000	31 December 2013 £'000
Property Acquisition		
Land acquisition cost -additions at fair value	4,183	-
Total acquisition	4,183	-
Deferred Exploration and Development Cost		
Mine development - Additions at cost	196	-
Balance at the end of period	196	-
Reclamation and mine closure cost additions at fair value	267	-
Balance at the end of period	267	-
Total investment in Chepica Project	4,646	-

9. Current Liabilities

	As at 30 June 2014 £'000	As at 30 June 2013 £'000	As at 31 December 2013 £'000
Trade creditors and accruals	3,423	180	350
SEDA backed loan	93	-	183
	3,516	180	533

10. Equity Swap Agreement

On 12 December 2013, the Company and YAGM entered into an equity swap agreement calculated by reference to 411,899,316 of the Subscription Shares (the "Swap Shares"). In return for a payment by the Company to YAGM of £500,000 (the "Swap Payment"), twelve monthly

settlement payments in respect of such payment will be made by YAGM to the Company, or payments may be made by the Company to YAGM, based on a formula related to the difference between the prevailing market price (as defined in the Equity Swap Agreement) of Ordinary Shares in any month and a 'benchmark price' that is 10% above the a price per share equal to 95% of the closing price of the trading day preceding the execution of the Subscription Agreement. Thus the monthly payments received by the Company in respect of the Swap Payment will be dependent on the future price performance of the Ordinary Shares.

YAGM and company may mutually agree to terminate the Equity Swap Agreement and accelerate the payments due under it in certain circumstances. YAGM may elect to terminate the Equity Swap Agreement and accelerate the payments due under it in certain circumstances.

11. Share capital

	As at 30 June 2014 Number	As at 30 June 2013 Number	As at 31 December 2013 Number
Issued and fully paid			
Ordinary shares of 0.01p each	3,580,599,980	2,306,105,129	2,339,181,215
Deferred shares of 0.09p each	1,547,484,439	1,547,484,439	1,547,484,439
	5,128,084,419	3,853,589,558	3,886,665,655
	£	£	£
Ordinary shares of 0.01p each	358,059	230,611	233,918
Deferred shares of 0.09p each	1,392,736	1,392,736	1,392,736
	1,750,795	1,623,347	1,626,654

12. Cash flows from operating activities

	Six months period ended 30 June 2014 £'000	Six months period ended 30 June 2013 £'000	Year ended 31 December 2013 £'000
Profit/(loss) for the period	(1,009)	9	(128)
Adjustments for:			
Continuing Operations			
Depreciation	37	-	
Finance costs	(1)	-	32
Other losses/(gains)	(37)	-	(549)
Other payables	(52)	-	8
Gain on disposal of investment	-	(291)	(291)
Share-based payments expense	29	11	129
Operating cash flows before movements in working capital	(1,033)	(271)	(799)
Decrease in receivables	(397)	63	120
(Increase)/decrease in payables	487	(67)	96
Cash (used in)/ from operations	(943)	(275)	(583)
Income taxes paid	-	-	2
Foreign currency exchange differences	103	9	(379)
Net cash used in operating activities	(840)	(266)	(960)

13. Related party transactions

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are therefore not disclosed. The only other transactions which fall to be treated as related party transactions are those relating to the remuneration of key management personnel, which are not disclosed in the Half Yearly Report, and which will be disclosed in the Group's next Annual Report.

Directors Transactions

Lion Mining Finance Limited, a company in which Colin Bird is a Director and shareholder has provided administrative and technical services to the Company amounting to £36,000 plus VAT in the year. The amount of £14,400 was outstanding as at 30 June 2014 (2013: None).

As at 30 June 2014, loans from directors amounted to £40,000 (31 December 2014 £ Nil). These loans are interest free and repayable by mutual agreement.

14. Acquisition of subsidiary undertaking

On 24 February 2014, the Company acquired from Polar Star Mining Corporation the entire issued share capital of its wholly owned subsidiary, Polar Mining (Barbados) Limited, the parent company of Minera Polar Mining Chile Limitada, a Chilean incorporated entity with a 15% direct interest and earn in option to acquire the remaining 85% interest in the Chépica gold and copper mine together with 100% of the Mejillones Phosphate project in Chile. The total consideration of the acquisition was £1,808,000.

The net assets acquired and goodwill arising are as follows:-

	Carrying value before combination	Fair value adjustment	Fair value
	£(000)	£(000)	£(000)
Intangible fixed assets	2,340	2,108	4,450
Property, plant and equipment	1,133	-	1,133
Trade and other receivables	2,264	(1,362)	902
Bank and cash balances	73	-	73
Trade and other payables	(1,853)	(2,630)	(4,483)
Provisions	(267)	-	(267)
	3,691	(1,883)	1,808
Consideration :			
Shares issued		1,250	
Cash		558	
			(1,808)
Goodwill on consolidation			-

The assessment of the fair values of the assets and liabilities is provisional, and will be reviewed prior to the completion of the Group Consolidated financial statements for the year ending 31 December 2014.

15. Events after the balance sheet date

On 10 July 2014 the Company sold 5 million shares in Global Oil Shale Group ('GOS') at 23.77 pence per share, for a total consideration of £1,189,000.

The Company was initially issued 6,000,000 shares in GOS at a subscription price of 12p, in December 2012, as part of the disposal of the Julia Creek oil shale tenements in Queensland, Australia with an additional 1,371,365 in December 2013 at 40p. The Company therefore retains a total of 2,371,365 shares and as per the agreement would be allotted a further 1,500,000 shares immediately prior to a listing of GOS shares on a stock exchange or market.

30 September 2014

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