

Quarterly Activities Report

Period Ending – June 30, 2005

Highlights

- Company completes first quarter of tin concentrate production at Renison with 734.03 tonnes tin metal produced during quarter from Renison.

Mine Production from the Renison Project for the quarter was sourced mainly from remnant and development ores and is summarised as follows:

<i>Mining</i>	
Ore Hoisted	<i>107,502 tonnes</i>
Grade	<i>1.22 % Tin</i>
<i>Tin Concentration</i>	
Tonnes Processed	<i>105,423 tonnes</i>
Grade	<i>1.23 % Tin</i>
Recovery to Conc.	<i>54%</i>
Concentrate Grade	<i>55.7% Tin</i>
Sn Metal Sales	<i>734.03 tonnes Tin metal</i>

The Renison Bell mine will begin to see the first stope production from the newly developed Federal Lodes in the ensuing quarter. This will have an impact of improving grades and lowering operating costs.

- Continued exploration success from Federal Deeps area with significant high tenor results outside current ore reserves received including:

Hole Number	Intercept Northing	Intercept Easting	DH Width (m)	Grade (%Sn)	Comment
U3866	65537	44517	8.70	1.10	Sth Federal
U3868	65598	44437	2.40	3.49	Federal
U3869	65859	44573	5.70	3.28	Federal Deeps
U3871	65825	44543	5.00	4.01	Federal

These results continue to show a stronger mineralised system in the Federal Fault which will result in higher production grades in future years. Hole U3869 is the deepest hole drilled by Bluestone into the ore system is estimated to be approximately 100m above the granite contact.

- Further metallurgical works on tailings confirmed pre-feasibility recovery for the Rentails project are valid.
- Mt Bischoff mining and environmental approvals underway.
- Plant construction and underground mine development continues at Collingwood.
- Bluestone acquires rights to the Gillian tin project at Mt Garnet, a project with significant potential to add to Bluestone's tin strategies.
- Placement of 34 million shares to raise a gross \$22.1 million was completed in May 2005.
- Bluestone joins peak industry body International Tin Research Institute Ltd.

Corporate

During the quarter, Bluestone continued with its aggressive capital investment in both the Tasmanian and Queensland tin assets by investing \$6.5 million during the quarter.

Tin prices on the London Metal Exchange weakened over the quarter from around US\$8200 (A\$10,500) per tonne to around US\$7400 (A\$9600) and this trend has continued with current tin price being around US\$7050 (A\$9300). This is significantly below the 2004 year high of US\$10,400 and remains significantly below the US\$9500 (\$13,500) at the time of Bluestone's listing in late August 2004.

Bluestone remains confident that the economic outlook for tin remains positive and the tin price will move upwards in the ensuing half. London Metals Exchange stocks remained low during the quarter reducing from 5160 tonnes to 3975 tonnes equating to approximately 4 days of world consumption.

In May \$22.1 million was raised through the placement of 34 million shares to clients of Southern Cross Equities Ltd to continue the development of its Collingwood Project and top up working capital requirements.

Three directors Peter Newton, Peter Cook and Mark Okeby also invested a further \$2.25 million in the Company through the conversion of options.

Peter Cunningham resigned as Operations Director subsequent to the end of the quarter (20 July, 2005). Oscar Aamodt resigned as Company Secretary during the quarter and Fiona Van Maanen, the Group Financial Controller was appointed as joint company secretary with existing Director, Mark Okeby.

In May at the Annual General Meeting of the International Tin Research Institute Ltd (ITRI) Bluestone was welcomed as a member. ITRI is the peak industry body and represents about 70% of global tin production with a global membership of some 100 companies. ITRI carries out research into new uses for tin and has an active programme dealing with sustainability and the challenges of global legislation.

Tin Strategy

Bluestone's has embarked upon a strategy to build itself as a significant tin producer. As part of this strategy it is rejuvenating and integrating a portfolio of tin producing assets on the West Coast of Tasmania.

These assets include:

- The Renison Bell Underground Mine and Tin Concentrator;
- The Mt. Bischoff Tin Project;
- The Rentails Tailings Re-treatment and Tin Fumer Project.

The first stage in Bluestone's Tasmanian Tin Strategy was the resurrection of the Renison Bell underground mine and tin concentrator. Bluestone acquired these in mid 2004 with the underground mine and crusher haulage system partially flooded and the concentrator in an extremely dilapidated state. Bluestone invested considerable capital into the refurbishment, re-fit and re-commissioning of the operations. The concentrator was commissioned in late February 2005.

Bluestone commenced development at the Renison Bell mine late in 2004 and has rapidly advanced the Federal lode system to a position whereby ore stoping has commenced. The capital investment phase at the mine was necessarily intensive as there were no developed tonnes available when the mine was acquired. Bluestone has built its developed ore stocks to approximately 9 months at planned production levels. The mine is maturing from that whereby the majority of tonnes were won from remnant areas and ore development to that whereby a considerable tonnage will be won by stoping. Commensurate with this transition, mine operating costs per unit should reduce to those typical of a steady state operation.

Bluestone has had received considerable exploration success from Renison Bell and in particular the Federal lode system. Since acquiring the project the mining reserves of tin metal have doubled and the strike length and grade of the Federal Lode have both increased significantly. In the ensuing year development should commence into these higher grade areas which will have a positive impact on mine performance.

The second phase of Bluestone's Tasmanian Tin Strategy is to fill the Renison tin concentrator to maximum capacity and drive the efficiencies that can be achieved.

The build up in production from the Renison Bell Mine was targeted at 500,000 tonnes per annum, which is now close to being achieved. The Tin Concentrator has a capacity of approximately 750,000 tonnes per annum and it is the Mt Bischoff project that will provide feedstock to fill this plant to full capacity in the ensuing three years of calendar 2006 to 2009, whilst development of Renison Bell continues into the Lower Federal lodes which are higher grade and more homogeneous.

Mt. Bischoff is planned to be mined by simple open cut methods with ore carted to the Renison Tin Concentrator for processing. The process of obtaining statutory approvals is underway with the aim of mining commencing in January 2006.

The third phase of Bluestone's Tasmanian Tin Strategy is to construct a new tin concentrator and tin fumer to enable the processing of the historic tin tailings from the historic Renison operations (17.9Mt @ 0.42% Sn). This project, "The Rentails Project" has completed its pre-feasibility assessments and presents as a viable project with a sound financial profile. Continued tests to optimise and further improve process and recovery options are being undertaken. In the forthcoming quarter, the project will move to full pilot scale testing before completion of a bankable feasibility study.

The Rentails Project provides significant downstream benefits to the Bluestone Tasmania Tin Strategy on integration by providing a mechanism to achieve significantly higher recoveries from Renison Bell and Mt Bischoff by having a process route to recover more tin from their expected residues. In addition, the tin fuming route will provide Bluestone a process route capable of recovering tin from stannite rich ores, for which there is currently no established infrastructure.

In Queensland, Bluestone has the Collingwood Tin Project and the Gillian Tin Project in Far North Queensland the later being acquired during the quarter.

The Collingwood Tin Project is an underground mine and tin concentrator which is currently under construction and expected to commence production of concentrates in the December quarter.

Preliminary evaluation works on the production potential of the Gillian Tin Project are underway.

Renison Operations

Renison Bell Mine and Tin Concentrator

The Renison Bell Mine and Tin Concentrator operated for the full quarter on a stop-start basis dependent upon ore availability. In the quarter, the Renison operations generated an operating loss of \$4.2 million before depreciation and amortisation (revenue \$7.3 million). This loss was greater than anticipated and resulted from a combination of lower grade, lower overall plant recovery and lower tin prices.

Production from the Renison Project for the quarter is summarised as follows:

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Ore Hoisted	<i>107,502 tonnes</i>
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Varying feedstock and high mining dilution from remnant ores impacted plant recoveries. The majority of ore mined during the quarter came from remnant areas and ore development drives in the Federal Lodes. The mine will transition from the position in the past half where most of the ore was won from development and remnant works to a status whereby the majority of ores will be won by stoping from the newly developed Federal Lodes in the ensuing quarter.

This transition will see operating costs and ore production including grade and mineralogical make-up return to a more consistent and steady state profile.

As was previously announced, the Company has varied its development program to maximise its cash flow opportunities from the mine in the ensuing half.

Bluestone continued to have exploration success in the Federal Deeps area with significant higher tenor results being received from outside the current ore reserves. The better intercepts received were:

Hole Number	Intercept Northing	Intercept Easting	DH Width (m)	Grade (%Sn)	Comment
U3866	65537	44517	8.70	1.10	Sth Federal
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U3871	65825	44543	5.00	4.01	Federal

These results continue to confirm and extend the Federal Fault mineralisation and continue to show that it is increasing in grade at depth. Bluestone is of the belief that this may be related to proximity to the granite and heat source. Federal is the only one of the major ore systems to be drill tested in this position and Bluestone remains positive of a similar impact from the Area 4 and Rendeep systems as they get deeper.

In addition, underground exploration drilling into the King and Blackwood areas was successful in extending mineralisation beyond previous mining outlines. The better intercepts received were:

Hole number	Intercept Northing	Intercept Easting	DH Width (m)	Grade (%Sn)	Comment
U3861	66865	44270	3.05	4.91	King / Blackwood
U3874	66896	44279	5.70	3.32	King / Blackwood
U3878	66922	44286	16.00	1.45	King / Blackwood
U3879	66919	44260	6.30	1.97	King No.2 dolomite
U3879	66927	44267	14.10	1.99	King / Blackwood
U3880	66909	44249	6.35	2.53	King No.2 dolomite
U3880	66914	44253	6.50	3.17	King / Blackwood

These results show that there remains significant potential for additional ore to be added from historically mined areas with more diligence and geological application. Mining plans for this area are progressing.

Mt. Bischoff

The Mt Bischoff project advanced with settlement of the purchase, a successful public meeting to present the mining proposal to local residents and the advancement of the Statutory Approvals processes. Plans to complete some drilling and extract a sample for metallurgical profiling through the Renison tin concentrator are advanced.

Mt Bischoff will be integrated into the Renison Project and will provide the ore feed to enable the Renison Tin Concentrator to operate at full capacity in the ensuing 3-4 years while additional development and production capacity from the Renison Bell mine is implemented.

Mt Bischoff is currently a retention licence that is being converted back to its original status as a mining lease. The conversion is considered to be imminent, however, the recommencement of full scale mining requires an environmental impact assessment and public review process. It is anticipated that this process will be completed in the current calendar year and that mining is targeted to recommence in early 2006.

The mining concept is a simple open cast operation whereby ore is stockpiled and carted to the Renison Tin concentrator at a rate of approximately 200,000 – 250,000 tonnes per annum. Mining reserve estimates are 742,000 tonnes at 1.23% Sn. Pit optimisation studies were performed off a base metal price of A\$10,000/t of tin metal. The Mining Reserve is a subset of a larger resource of 1.9 million tonnes at 0.96% Sn.

Mt Bischoff is a substantial mineralised system and excellent potential for the discovery and exploitation of more tin mineralisation exists from both open pit and underground mining.

Rentails

Rentails Study pre-feasibility financial modelling suggests a sound project delivering an average of 5,960 tpa of tin metal over a 9 year period at a total cost of A\$6560/t tin Metal. Annualised EBITDA is \$42.6 m and the project shows a pre-tax NPV of \$190m and IRR of 77% at a tin price of A\$11,500 and capital investment of A\$53.3 million.

The project continues to advance to pilot scale simulation before completion of definitive study estimates.

Sulphide Flotation tests completed during the quarter continued to re-affirm a 80% recovery of tin in the first step is achievable. Testwork aimed at increasing flotation recoveries by adding a regrinding to enable flotation of >50 micron particles returned a positive increase in sulphide flotation recoveries from 70% to 80%.

Testwork aimed at estimating and evaluating copper recovery from the tin fuming process commenced during the quarter. Copper occurs as chalcopyrite and stannite which can be separated by pyro-metallurgical methods with the tin being fumed off the stannite leaving the Copper as a matte product. At this point in time, Bluestone is uncertain as to the quality of the matte and the amount of arsenic that may be absorbed with the matte. Although it is certain that by-product copper production can occur, no consideration to the quantity, quality or commercial impact has been assumed.

Tin (Cassiterite) Flotation tests by specialists, Beak Consultants of Germany have produced a tin flotation concentrate of 13.8% Sn and 0.88% MgO. They conclude that Bluestone's recovery assumptions are achievable.

Gravity testing has suggested that a gravity concentrate may be achieved prior to sulphide flotation and may generate a direct fumer feedstock. Additional gravity works is being completed.

In summary, the additional confirmatory tests completed by Bluestone in the past quarter have concluded that the recovery assumptions in its pre-feasibility study are valid and achievable. In the ensuing quarter, additional gravity tests will be performed, pilot scale flotation test-work will be completed followed by pilot scale fuming trials.

In parallel, the project will advance its detailed feasibility works with an objective to generate a bankable study in the December quarter.

QUEENSLAND TIN STRATEGY**COLLINGWOOD TIN PROJECT**

Construction of the Collingwood Tin Concentrator and underground mine accelerated during the quarter.

Procurement of the mine development fleet was completed and underground refurbishment commenced. Bluestone has elected to become owner operator of the project and will perform a significant part of the works itself, subcontracting minor parts to specialist contractors. The current schedule has Bluestone accessing its first ore in mid August from a development sense.

Construction of the tin concentrator and associated site infrastructure commenced during the quarter. The majority of plant has been procured and is awaiting delivery. Civil works for the tailings storage facility, mine water and process water dams are in an advanced state. Concrete works for mill and concentrator foundations are also in an advanced state.

Firm delivery dates suggest the plant should be ready to move to a commissioning phase by the end of October, assuming no slippage with suppliers and first concentrates should be ready to ship in early November.

The Collingwood project is expected to produce at a rate of 350,000 ore tonnes per annum producing approximately 5000 tonnes of tin concentrates containing approximately 3,000 – 3,500 tonnes of tin metal per annum.

GILLIAN PROJECT

In line with its strategy to build upon its tin production base in North Queensland, the company acquired the rights to the Gillian Prospect at Mt Garnet.

Gillian is a tin project previously advanced in the mid 1970's by Renison Limited and later by Otter Exploration (1980's) and Tin Australia NL (2000's). Otter Exploration NL quote in their 1979 Annual Report that a deposit of 2.5 million tonnes grading 0.70% to 0.90% tin is indicated and is amenable to mining by open pit methods. They also state there is good potential for significantly increasing the size. The data suggests the ore is complex metallurgically but good recovery by fuming methods can be achieved.

CAPITAL STRUCTURE

As at June 30, 2005 the capital structure is summarised:

Fully Paid Ordinary Shares	276,350,003
Unlisted Options	16,000,000
Unlisted Options (Macquarie)	1,350,000
Employee Options	3,140,000

END

The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based upon information compiled by Bob Watchorn BSc Geology, Msc, FAustIMM CPG and Peter Cook BSc (App. Geol) MSc Min Econ MAustIMM who qualify as Competent Persons as defined in the 2004 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves. Both persons consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.