

Cluff Resources Pacific NL

ABN 72 002 261 565

QUARTERLY REPORT FOR PERIOD ENDING 30 JUNE, 2004

HIGHLIGHTS:

- DEVELOPMENT APPLICATION APPROVALS RECEIVED FOR GLOUCESTER RUBY PROJECT
- COPETON DIAMOND SHAFT REACHES 45.5 METRES
- LEASES GRANTED AT QUEENSLAND SAPPHIRE PROJECT

1. GLOUCESTER RUBY PROJECT

(Cluff 100%, subject to the agreement with CPH Limited)

The focus at the Gloucester Ruby Project for most of the quarter was on securing the approvals from the Gloucester and Upper Hunter Shire Councils for the mining development application. This process, over 10 months in timing since the application was lodged, was resolved with both councils approving the development in late October. The Company looks forward to establishing a world-class and environmentally sound precious gemstone mine, and is presently gearing up the facilities and equipment on site ready for the commencement of the next stage.

The Company's recently appointed operations manager, Mr Don Crowe, will oversee this process, and is currently drawing up plans for the upgraded mining activities.

Cutting operations by CPH Limited are proceeding steadily, despite the delays in supply caused by the extended approvals process. With supply being renewed at an increased rate in the near future, it is anticipated that the marketing of the gemstones will also be reinvigorated.

2. DIAMONDS.

2.1 COPETON DIAMOND FIELD (Cluff 100%)

MOUNT ROSS

Sinking of the exploratory shaft on the Copeton diamond deposit was completed to 42 metres before delays due to unexpected inflows of water were encountered. These were caused by the presence of old workings at a depth of 41.5 metres. Whilst these old workings not uncommon in the region due to the large amount of mining activity 100 years ago, the old workings were typically poorly mapped and difficult to locate. Significant old workings were not expected in the immediate shaft vicinity.

It was necessary to sink two additional dewatering bores, located to the north and south of the shaft. The bores initially lowered the water table by several metres, and are continuing to pump water from the surrounding rock structure.

The shaft has now reached a depth of 45.5 metres, and is aiming to encounter the target horizon at 50 metres. Small flows of water into the shaft are still being encountered, however, and the Company has been working with mining engineering specialists to devise a cement grouting technique which will not only prevent more water from entering the shaft, but also stabilise the surrounding and underlying rock structure to allow safe working conditions. The shaft will be deepened to beyond the required bedrock depth at 50 metres, and samples from the base of the shaft will be processed through the plant to determine whether there are diamonds present.

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Looking down Cluff's diamond shaft

2.2 BINGARA DIAMOND PROJECT (Cluff 100%, Diamond Ventures 10% NPI, reducing to 5%)

An exploration program and budget for further work on this project are being prepared.

3. SAPPHIRES

3.1 QUEENSLAND SAPPHIRE PROJECT (Cluff 100%)

The process of transferring the mining leases recently purchased from our previous joint venture partner at Anakie, Central Queensland, into the Company's possession, was recently completed.

The issuing of mining leases for three of the lease applications had been delayed for nearly three years due to native title and compensation issues, which have now been resolved. The process involved the granting of Indigenous Land Use Agreements over these areas, giving the Company permission from local indigenous communities to conduct mining activities.

Cluff is now planning an exploration program over portions of the leases, with a view to proceeding to mining once results have been obtained and evaluated. The Company anticipates developing positive cash flows from this project.

For further information please contact:

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Yours faithfully,

Peter Kennewell,
Managing Director. 29 October, 2004