

Cluff Resources Pacific NL

ABN 72 002 261 565

QUARTERLY REPORT FOR PERIOD ENDING 31 December, 2005

HIGHLIGHTS:

- RUBY MINE PRODUCTION 8,090 TONNES FOR 132,775 CARATS OF USABLE ROUGH
- COPETON DIAMOND SHAFT TO BE EXTENDED
- LOWER DIAMOND TARGET DISCOVERED AT BINGARA

1. RUBY MINE (Cluff 100%, subject to the agreement with CPH Limited)

Total plant throughput at the ruby project for the Quarter was 8,090 tonnes, producing 132,775 carats of rough usable gemstone. Production was drawn from the Area 11 Upper Terrace area. Monthly production statistics are broken down as follows:

October saw a total of 3,213 tonnes of material washed through the plant at an average grade of usable material of 18.8 carats/tonne. This consisted of 60,369 carats of usable quality: 26,206 carats of facet quality ruby at a grade of 8.1 carats per tonne, 13,895 carats of facet quality sapphire (mainly blue, green and yellow in colour) at a grade of 4.3 carats per tonne, and 20,268 carats of cabochon quality ruby at a grade of 6.3 carats per tonne.

In November, mining again focused on the same area, and a total of 2,466 tonnes were washed through the plant at an average grade of usable material of 18.1 carats/tonne. This consisted of 44,726 carats of usable quality: 19,463 carats of facet quality ruby at a grade of 7.9 carats per tonne, 4,988 carats of facet quality sapphire (mainly blue, green and yellow in colour) at a grade of 2 carats per tonne, and 20,275 carats of cabochon quality ruby at a grade of 8.2 carats per tonne.

In December, 2,411 tonnes were washed at an average grade of 11.5 carats per tonne of usable material. This consisted of 27,680 carats of usable quality: 12,685 carats of facet quality ruby at a grade of 5.3 carats per tonne, 4,565 carats of facet quality sapphire at a grade of 1.9 carats per tonne, and 10,430 carats of cabochon quality ruby at a grade of 4.3 carats per tonne.

Production has recommenced in January, targeting high grade areas identified from previous workings at the Area 11 pit.

2. DIAMONDS.

2.1 COPETON DIAMOND FIELD (Cluff 100%)

Following the successful raising of funds, the Company has been evaluating proposals from contractors for the driving of a thirty metre tunnel, and exploration drives from then Company's Copeton diamond shaft.

Past drilling indicated that the diamonds should be preserved in areas around the shaft where river sands have not eroded through hot spring deposits thought to carry high diamond grades at their base. The shaft was sited at a spot in which some of the highest diamond grades on the field had been reported in the early 1900s. Accordingly it is likely that the channel erosion to the base of these deposits is not extensive, and that uneroded diamond bearing rocks at the base of hot spring lake deposits are present within a short distance of the shaft, and may be high in diamond grade.

A tunnel driven from the former Davis Shaft in the early 1900s was found to have terminated less than a metre from our shaft. It is probable that this tunnel was being driven within the diamond bearing deposits until the barren river channel was reached, at which point work on it would have stopped. The company considers it likely that the diamond deposits are present within a short distance of our shaft, and back along this tunnel. We propose to drive a new tunnel parallel to it but within the granite basement for thirty metres, with rises in the roof of the tunnel to sample the basal hot springs rocks, and determine whether the very high grades of diamonds mined in the Davis mine were narrowly missed by our shaft.

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

A breakthrough in interpreting locations of the former mines of the Bingara diamond field, and their interpreted formation on the base of hot spring lake deposits, has demonstrated potential for high grade diamond discoveries. Two deep bulk sampling pits aimed at exposing diamond deposits within these old

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mines were completed at Bingara, but showed that the high grades formerly present at shallow depth had been extracted by underground mining during the late 1800s. Several bulk samples showing low grades of diamonds were recovered on the edges of the old workings.

This sampling was completed, despite the need to employ all of our field employees at the Ruby Mine, using local contractors under the supervision of our Inverell based Operations Manager.

Some former mines are believed by the Company to be plotted incorrectly in old records, and coherent locations for the former mines have now been determined. This interpretation is supported by Cluff's excavations during the 1990s at the mine recorded as the Monte Christo, from which the Company recovered about fourteen hundred carats of diamonds, but did not locate the previously recorded high grade which would have been expected in the Monte Christo mine.

A large diameter drilling program of four holes was completed from the floor of the Upper Four Mile pit at Bingara in late November. The holes targeted a lower and potentially diamond bearing horizon and was made possible by the impenetrable basalt cover being removed by the Company's previous excavations. Two bulk samples totalling twenty two tonnes (UFM 5 and 6), were been trucked to the Company's plant at Copeton and processed, but neither sample yielded any diamonds.

Sampling recommenced in January, again using a Calweld large diameter drill fifty metres from old mine workings. Hot spring lake gravels which are not as decomposed as the above samples were penetrated here by drill hole CR 74 during last year's drilling program. Heavy mineral separation from the target zone demonstrated the presence of 1mm topaz grains which were not present in UFM 5 and 6, together with a high concentration of fine spinel grains. This indicates preservation of a more diverse and concentrated heavy mineral suite which warrants testing for diamond.

Several holes have been drilled at the site, bulked together, to produce two samples of about ten tonnes each, and trucked to Copeton for processing. Results will be available shortly.

3. SAPPHIRES

3.1 QUEENSLAND SAPPHIRE PROJECT (Cluff 100%)

ML 70094 was inspected, and discussions were held with the EPA regarding requirements for the submission of a Mine Operations Plan.

4. FINANCIAL

During the Quarter the Company raised \$1 million via an underwritten Security Purchase Plan.

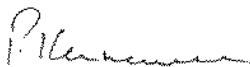
Along with the Security Purchase Plan, there was also an opportunity for shareholders to purchase souvenir display boxes containing rubies sourced from the Company's ruby project. This offer was very popular, and sales in excess of \$37,000 were achieved.

On the 5th of December it was announced that the Company would seek to offer a \$750,000 placement of shares and unlisted options to Firebird Global Master Fund Limited, a large investment fund based in New York. Funds raised will be dominantly spent on drilling and possible shaft sinking on the Bingara Diamond Project. This placement has been subsequently approved at an Extraordinary General Meeting of shareholders held on the 19th of January 2006.

For further information please contact:

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Yours faithfully,



Peter Kennewell,
Managing Director.
31 January, 2006