Cluff Resources Pacific NL

ABN 72 002 261 565

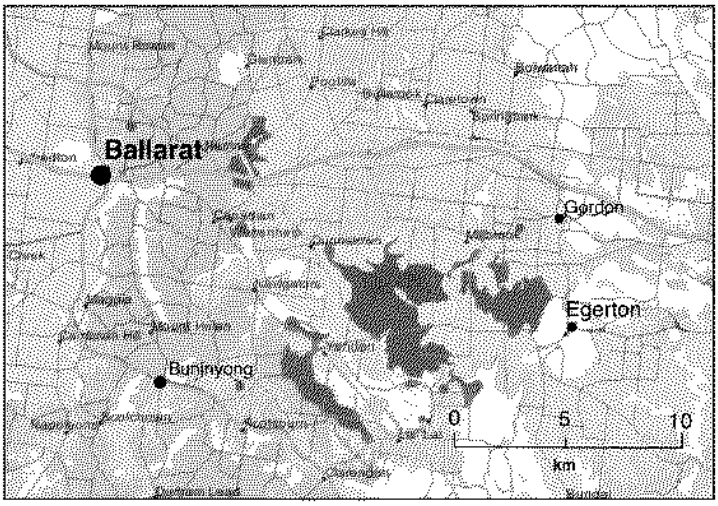
QUARTERLY REPORT FOR PERIOD ENDING 31 March, 2006

HIGHLIGHTS:

- **CLUFF SIGNS HEADS OF AGREEMENT TO FORM EGERTON GOLD JOINT VENTURE**
- **RUBY MINE PRODUCTION 10,097 TONNES FOR 176,585 CARATS OF USABLE ROUGH**
- **COPETON DIAMOND SHAFT NEARS TARGETED INFERRED RESOURCE**

1. EGERTON GOLD

A Heads of Agreement to enter a Joint Venture Agreement with private company Tech-Sol Resources Pty Ltd has been signed to explore and develop the Egerton and Gordon Goldfields located 20 kilometres east of Ballarat, in Victoria.



Egerton location map

The JV includes the Exploration Licence 4574, over the whole of the Egerton Goldfield, together with a conditional sale and purchase agreement over EL 4844, held by Oroya Mining Limited. This EL covers the northerly extension of the mineralised zones, and includes most of the Gordon Goldfield. Exploration may be assisted by two granted Mineral Leases (MIN 5421 and MIN 4422) over the most obviously prospective gold areas, which entitle the JV to sink exploration shafts, subject to governmental approval. The tenements cover the Egerton, Black Horse and Sister Rose Mines, the largest producers on the Goldfield.

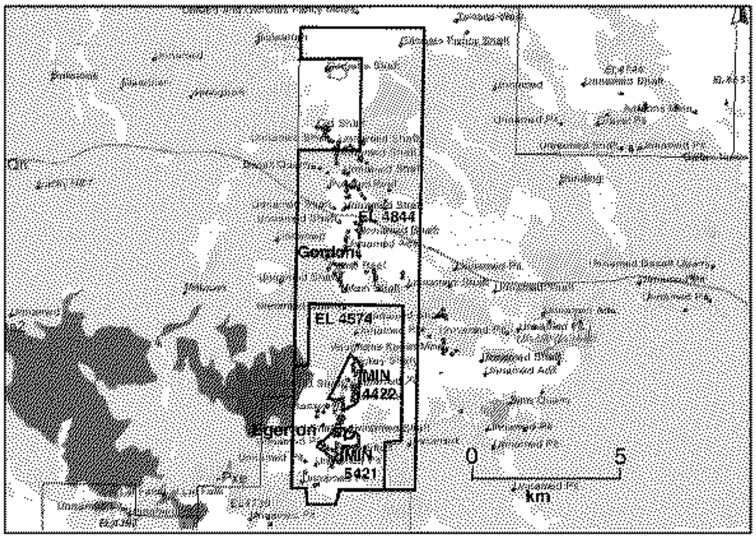
The Egerton Mine has been reported as having produced 590,000 tonnes of ore at an average recorded grade of 12.6 grams per tonne between 1861 and 1893, while the Black Horse Mine was reported as 303,000 tonnes of ore averaging 10.1 grams per tonne. These past production estimates are yet to be reviewed by the Company.

William Bradford in "The Egerton-Gordon Goldfield", (Bulletin of the Geological Survey of Victoria No 10), commented "In working out the richer parts of the Egerton deposit, hundreds of thousands of tonnes of ore have been left, which, even now, would probably keep hundreds of men employed if only a 100-head up-to-date mill were set going". The Main Drive North on Lode, 1760-ft level, Black Horse Shaft was described "Full width here exceeds 12 feet, and is good enough for bulk treatment".

Cluff has acquired a database under the terms of the Joint Venture. This data base, of over 130 assayed reverse circulation drill holes to 150 metres depth, includes a number of encouraging intersections which will need interpretation of their geological context before their significance can be assessed.

However, a cursory inspection of this data base (which included the 3D computer modelling work shown on the cover of the Annual Report) is very encouraging and identifies the possibility that blocks of unmined gold bearing rocks may exist within the historical workings. A deep drill hole (425 m) has been provisionally planned to test down plunge extensions of the Sister Rose workings on MIN 5421. Other deep holes are under consideration.

Registered Office	Postal Address	Tele-Communications
1/30 Leighton Place	Locked Bag 3355	Tel (612)9482 4655
Hornsby NSW 2077	Hornsby NSW 2077	Fax (612) 9482 4987
Australia	Australia	Internet www.cluff.com.au



Egerton-Gordon Goldfield: Location of ELS 4754 and 4844, and MINS 5421 and 4422

The company also plans to assess the viability of gaining access to the historical underground workings for exploration purposes via one or two of the several historical shafts and two known adits in the area. Some historical shafts have been filled in past years but it is known that at least one has simply been capped.

The terms of the Joint Venture are:

Stage 1

- Cliff has paid $25,000 cash as an option fee, and may exercise within four months of the option by paying a further $75,000 in shares. It will also meet additional costs of the permits of approximately $20,000, and some bonds.
- Upon exercise of option, Cliff may earn 51% of the project by spending $350,000 within two years on exploration, and giving notice to proceed to Stage 2.
- If Cliff pulls out of the project at this point, the tenements revert or remain with Tech-Sol.
- Cliff has an option to purchase, for $50,000, 50% of profits from a small dam leach operation on the tenements. Participation is subject to Cliff due diligence.

Stage 2

- Cliff then has an option of earning a 75% interest in the project by spending an additional $1,650,000 on exploration or development.
- By mutual consent, Cliff may sole risk up to an additional $1 million to take project to conclusion. Tech-Sol will repay twice its share of expenditure from any future profits.
- After completing Stage 1, Cliff has earned equity in the project.
- Tech-Sol retains a 2.5% net smelter royalty on gold production.
- No liabilities are assumed by Cliff for Tech-Sol's present dam leach and former CIP operation.

The Egerton–Gordon Goldfield had produced 770,000 ozs of gold by 1903, with the larger mines closing around 1904. The gold bearing quartz veins of the Ballarat Goldfield appear to have developed on the western side of a large granite mass, while the Egerton and Gordon veins have formed in a similar position but on the eastern side.

2. RUBY MINE (Cliff 100%, subject to the agreement with CPH Limited)

Total plant throughput at the ruby project for the Quarter was 10,097 tonnes, producing 262,503 carats of rough usable gemstone. This was an improvement of just over 2,000 tonnes throughput on the previous quarter. Production was drawn from the Area 11 Upper Terrace area.

Monthly production statistics are broken down as follows:

January saw a total of 747 tonnes of material washed through the plant at an average grade of usable material of 15.6 carats/tonne. This consisted of 11,653 carats of usable quality: 6,349 carats of facet quality ruby at a grade of 8.5 carats per tonne, 3,287 carats of facet quality sapphire (mainly blue, green and yellow in colour) at a grade of 4.4 carats per tonne, and 2,017 carats of cabochon quality ruby at a grade of 2.7 carats per tonne. Throughput was affected firstly by the New Year break, then by the need to divert labour resources into constructing additional tailings dam walls in order to improve silt handling.

February saw a greatly increased plant throughput, with 6.095 tonnes of gravels washed through the plant and 6,964 tonnes mined from Area 11. This represents the largest amount washed and mined for any single month since mining operations commenced. The total amount of usable quality gemstone recovered was 104,715 carats at an average of 17.6 carats/tonne. This consisted of 50,588 carats of facet quality ruby at a grade of 8.3 carats per tonne, 19,504 carats of facet quality sapphire (mainly blue, green and yellow in colour) at a grade of 3.2 carats per tonne, and 37,179 carats of cabochon quality ruby at a grade of 6.1 carats per tonne. The weather was relatively dry and sunny during the month, which provided for very favourable mining conditions.

In March, 3,255 tonnes were washed at an average grade of 18.5 carats per tonne of usable material. This consisted of 60.217 carats of usable quality: 25,714 carats of facet quality ruby at a grade of 7.9 carats per tonne, 10,741 carats of facet quality sapphire at a grade of 3.3 carats per tonne, and 23,761 carats of cabochon quality ruby at a grade of 7.3 carats per tonne. Production levels were affected by silting of the tailings dam, and the need to construct dewatering cells in the upper overflow dam in order to solve the silting issues. The Company is confident these measures will lead to consistent increased production in ensuing periods.

At the Tuscon Gems and Jewellery fair in February, the Ellerston Gems display was reported by CPH Limited marketing consultant Gerry Manning as: 'a successful means to increase Trade awareness of our Ellerston program. We demonstrated the quality of our (CPH/Cluff) productions to numbers of retailers and designers, and displayed images of the jewellery already made by the Preferred Client designers from the USA, Australia and Asia. We continue to follow up on those leads to develop retailer clients for the Preferred client designers we have in our group'.

Ellerston Gems continues to process gemstone production as quickly as it is being mined and exported to their cutting operations, and this has resulted in a growing inventory of over 2 million individual cut stones. With more promotional incentives planned in the lead up to the North American Christmas, the Ellerston Gems marketing team has also been encouraging further significant styling developments from its exclusive Preferred Client jewellery designers.

2. DIAMONDS.

2.1 COPETON DIAMOND FIELD (Cluff 100%)

The Copeton diamond shaft has been deepened to a depth of 57 metres, penetrating 1.2 metres of altered granite to 52 metres, with a sharp contact with hard, unaltered granite below. This granite has several horizontal and vertical fractures and several thin, discontinuous altered zones within it.

No water problems have been encountered, as the immediate surrounding area has now been drained.

A 2 metre wide by 2 metre high tunnel (plat) has been developed for 6 metres at 57 metres depth, and the main sampling tunnel, similarly 2 metres by 2 metres, has been commenced at right angles to this, and now extends a distance of 6 metres. Vertical tunnels (rises) will shortly be constructed upward for several metres into the overlying target sediments, and will extract samples for processing through the plant to determine diamond grade.

The shaft is now being deepened another four metres to 61 metres, to create a water sump to facilitate drainage and pumping. The shaft haulage and ladder work, which has been constructed and is on site, will be installed during the next week.

Sinking and tunnelling of the Copeton Diamond Shaft recommenced in February, and Underground developments aimed at completing the sinking, and lateral drive off the base of the Copeton shaft commenced in February.

Continuing work involves:

1. Installation of the ladder way and shaft haulage equipment.
2. Continuing driving of a 2 metre by 2 metre tunnel for 30 metres in granite below the sediments.
3. Developing five vertical rises upward from the tunnel to the potentially diamond bearing sediments. These rises will be completed and sampled consecutively, from the furthest point of the tunnel to the base of the shaft.
4. Sampling of the potentially diamond bearing rocks by blasting them, and allowing them to fall to the tunnel floor. 60 tonne samples are planned from each vertical rise.
5. Bogging out and processing of the samples through the Company's Copeton plant.

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

In preparation for a drilling program and subsequent driving of a tunnel at Bingara, computer modelling of the data base of over one hundred historical drill holes has been undertaken. This data entry has now been completed, and preliminary cross sections and contouring of geological horizons of the deposit has been printed. Interpretation is still in progress, and results will be determined shortly, together with the best targets for drilling and tunnelling or shaft sinking to evaluate the prospective zone, considered during the 1890s to be an unconventional "pipe" structure.

3. SAPPHIRES

3.1 QUEENSLAND SAPPHIRE PROJECT (Cluff 100%)

There was no activity at the Sapphire Project during the Quarter.

4. FINANCIAL

During the Quarter the Company raised $750,000 via a share and option placement.

The placement was approved at an Extraordinary General Meeting of shareholders held on the 19th of January 2006. Firebird Global Master Fund Limited is 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.

For further information please contact:

Scott Enderby :
Phone: (02) 9482 4655
Fax: (02) 9482 4987
Email: Cluff@bigpond.com or
Peter Kennewell on (02) 9482 4655.

Yours faithfully,

Peter Kennewell,
Managing Director.
28 April, 2006