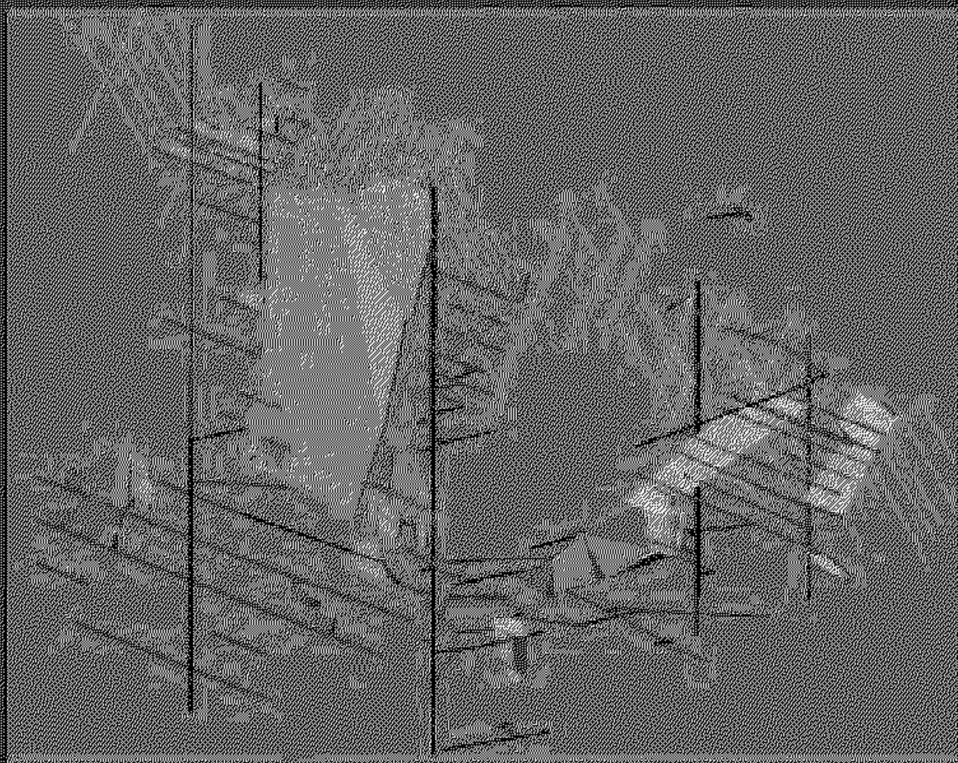
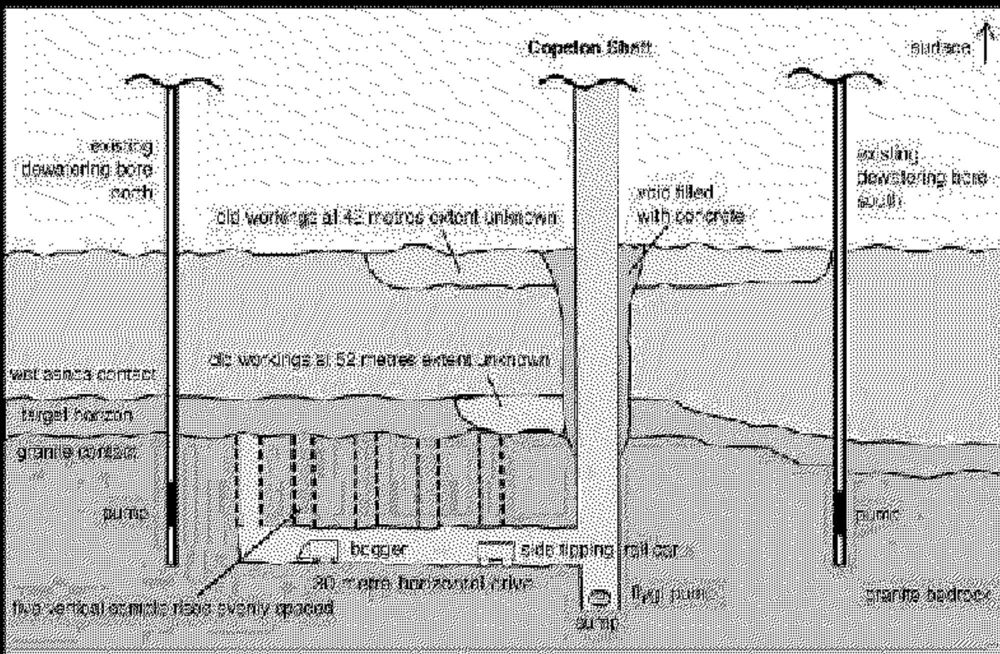
2005 Annual Report



Cluff Resources Pacific NL

ABN 72 002 261 565



Cluff Resources Pacific NL - Diagram of Copeton Shaft horizontal drive

Lifting bridge sections into place at the Ruby Mine

Cluff Resources Pacific NL
Corporate Directory

Directors
Stephen Gemell, BE(Mining)(Hons), FAusIMM(CP), MMICA, MAIME, Chairman
Peter Kennewell, B.Sc, MAusIMM, Managing Director
Scott Enderby, B.Com, Director
Peter Barrow, FCA, FAID, Director

Internet
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Email
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Company Secretary
Scott Enderby

Corporate Accountant
Martin Lord & Co
Chartered Accountants
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Telephone (02) 9477 7400

Auditors
Martin J Hager
Chartered Accountant,
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Hornsby, NSW, 2077

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Facsimile (02) 9482 4987

Share Registry
Registries Limited,
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Sydney, NSW, 2000
Telephone (02) 9290 9600
Facsimile (02) 9279 0664

Solicitor
Ashlaw Legal Services
Suite 49 Level 1, 61-65 Glencoe Street
Sutherland NSW 2232
Telephone (02) 9521 4999
Facsimile (02) 9521 4544

ASX Code : CFR

For the latest announcements by the Company and information on its operations the Board recommends accessing the Company's website at the above address.

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

Your Company has made significant progress in expanding its mineral exploration and development base. Company management has been active in searching both for new opportunities and the most appropriate means of adding value to existing projects.

Cluff has re-entered gold exploration by gaining a stake in a relatively high grade target in eastern Australia. It also continues to develop and explore its gemstone properties, and continues to assess other precious metal and gemstone opportunities.

Egerton Gold Project.

The Company has entered into a joint venture to explore and develop the Egerton gold field, near Ballarat in Victoria. Within the tenements are a number of significant past producers with workings extending to more than 530 metres below surface. Estimated production from between 1861 and 1893 of the two largest producers, the Black Horse and the Egerton, exceeds 390,000 ounces of gold. In all, the principal workings extend over more than 1,600 metres from south to north, and were active until at least 1903.

Existing exploration data has two principal sources: the underground drives on the lower levels of the Egerton shaft, where much of the development in the first decade of the 20th Century was aimed at finding orebody extensions, and the relatively shallow drilling by late 20th Century mineral explorers.

There are a number of targets at Egerton, and a program to define these is being planned as I write this letter. Amongst those targets which will be evaluated are: (1) extensions to the known orebodies, including those thought to have been displaced by faults; (2) remnant stoping blocks of grades which are now of commercial interest, and (3) relatively shallow mineralised zones delineated by drilling. This last category has to be considered with caution, as a proportion of the exploration area is close to habitation and is unlikely to be available for mining. Of particular interest are the reported widths of some of the mineralised zones, which appear to favour modern mechanised mining techniques.

Egerton is expected to be a prime focus for our exploration activity in 2006.

Gloucester Ruby Project

Development of the Gloucester project continued throughout the year, as Areas 4 and 11 were partially mined. Site infrastructure has been improved, with an access bridge constructed across the Gummi River and a series of tailings settlement dams established. The gemstone concentrate continues to be sold to Consolidated Press Holdings ("CPH") subsidiary Ellerston Gems under the provisions of our Stage 2 Project Agreement.

Under the current plan of operations, the Gloucester Project is expected to continue producing gemstones using the existing plant for at least two years, as Ellerston Gems increases inventory and develops a market for high quality cut ruby. It is understood that CPH is conducting a review of all of its business units, which may beneficially or adversely affect the proposed rate of development of the mine. We expect to be advised of the outcome of this review in the near future, and the board is conferring with CPH representatives on plans of action following the review.

Gloucester remains our most advanced mining project, and has significant scope for expansion upon establishment of the cut ruby marketplace by Ellerston Gems.

Copeton Diamond Project

The exploration shaft in the Davis Block, to the south of Mt Ross, was sunk to basement levels. Ground conditions were difficult, and dewatering the block was problematic.

Nevertheless, since year end the program has again obtained momentum with the shaft having been advanced into the underlying granite. Plats have been established and lateral development is underway. From this development in granite, the Company plans to establish a number of rises into diamondiferous wash or old workings in the unconsolidated sediments above the granite, from which bulk samples will be extracted.

At Bingara, a similar underground development plan is proposed after reconnaissance drilling has been undertaken. Because of favourable topography, a luxury we did not have at Copeton, it is currently planned that this development will be by adit rather than by a shaft, thereby simplifying drainage and access issues. This development will not commence until the current Copeton program is completed.

Anakie Sapphire Project

The Anakie project remains inactive whilst the necessary statutory permitting is sought. Once permitting is in place, the Company expects to conduct shallow large-diameter drilling to determine the wash profile.

In Conclusion

The Egerton project exposes the Company to some of the significant opportunity value that exists in gold exploration and mining. In addition to value recently created by the remarkable increase in gold price over the past year, active exploration and development in Victoria by a number of other mining companies has negated a previous industry-wide perception of pessimism in the ability to establish such projects in the region. Nevertheless, the Company remains cognisant that its success will be related directly to recognising the controls of mineralisation and identifying additional resources at Egerton.

With the combination of gold and gemstone projects, we look forward to an interesting year.

I would like to take this opportunity, on behalf of the board, to thank our staff and consultants for their continued efforts during the year. Our functional units have been ably directed by operations manager Don Crowe (with Gloucester Mine manager Chris Hall) and chief financial officer Ewen Fraser. In particular, I wish to personally thank executive directors Peter Kennewell and Scott Enderby for their untiring approach to advancing the Company's interests.

In addition, we welcome the new shareholders to the Company, and are pleased to have the involvement of Firebird Global Master Fund as a significant shareholder.

Yours faithfully,

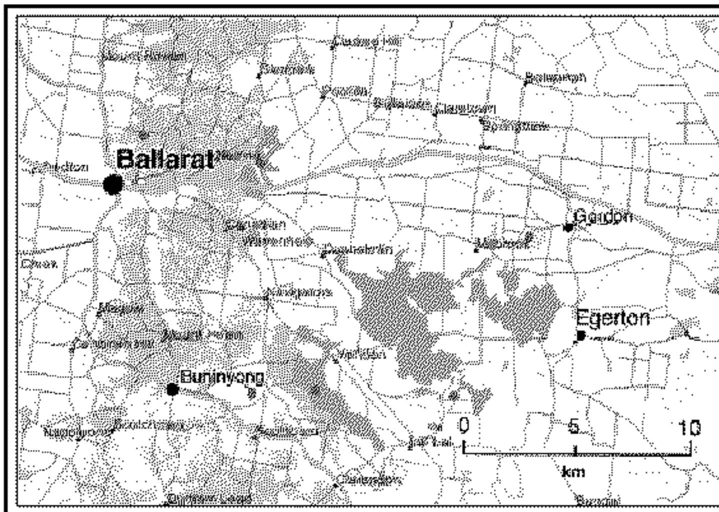
Steve Gemell
Chairman

MANAGING DIRECTOR'S REPORT

EGERTON GOLD PROJECT

(Cluff option to earn up to 75%, 2.5% net smelter royalty to Tech-Sol)

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.

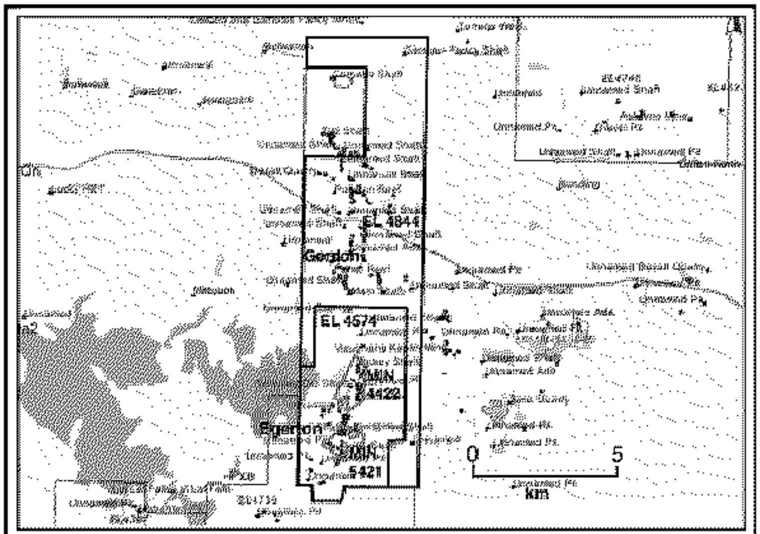
The Egerton Mine has been reported as having produced 590,000 tonnes of ore at an average recorded grade of 12.6 grams per tonne between 1861 and 1893, while the Black Horse Mine was reported as 303,000 tonnes of ore averaging 10.1 grams per tonne. These past production estimates are yet to be reviewed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

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.



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

The terms of the Joint Venture are:

Stage 1

- Cluff 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, Cluff may earn 51% of the project by spending $350,000 within two years on exploration, and giving notice to proceed to Stage 2.
- If Cluff pulls out of the project at this point, the tenements revert or remain with Tech-Sol.
- Cluff has an option to purchase, for $50,000, 50% of profits from a small dam leach operation on the tenements. Participation is subject to Cluff due diligence.

Stage 2

- Cluff 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, Cluff 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, Cluff has earned equity in the project.
- Tech-Sol retains a 2.5% net smelter royalty on gold production.
- No liabilities are assumed by Cluff 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.

The gold occurs in "wing makes", or quartz veins extending from vertical rock fractures (see Figure). Several such fractures have been mined or prospected for over a kilometre. Bradford compares the "wing makes" to the Scotchman's lode formation at Stawell, and the Great Columbian and Welcome lode formations at Inglewood. Many are low grade, but exceptionally rich patches are present in places. He states "a mass of stone associated with decomposed dyke material, on the eastern side of the 'vertical', a layer, or floor, of golden stone was found, having a length of about 60 feet, a width of 6 or 7 feet, and a thickness of about 2 feet, the whole of which, it is said, was hung together with gold".

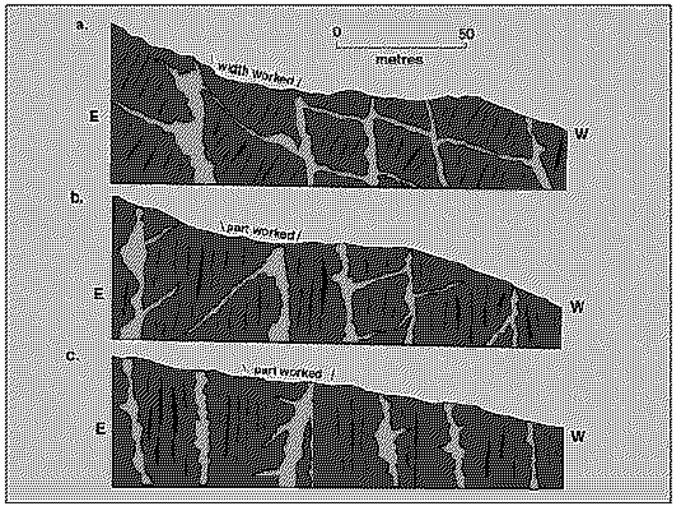


Figure 1: Ideal transverse sections showing the classes of lode structure of Egerton at (a) The Rose; (b) Sister Rose workings to the north of (a); and (c) the area north of (b).

He pointed out that "only one of a great system of 'wing makes' of quartz has received attention, returning remarkable richness from its outcrop to a depth of about 850 feet, below which point it has not been followed. The whole line of this golden deposit is known as the Rose shoot of gold, and persons who participated in its dividend have been heard to remark 'If the Company could only pick up this wonderful shoot at lower levels, things would soon be right again' ".

Tech-Sol Resources Pty Ltd is a private company which has produced over 6,200 ounces of gold from tailings on the Egerton Goldfield by dam leaching and CIP operations. In the course of this production work, Tech-Sol removed a large quantity of historically produced tailings from the local water course and this has resulted in a very marked improvement in surface water quality in the local area.

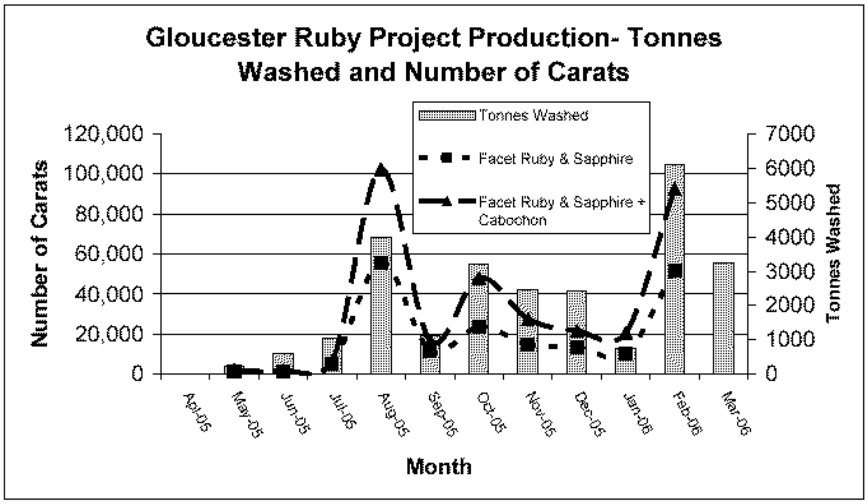
GLOUCESTER RUBY MINE (Cluff 100%, subject to a business arrangement with Consolidated Press Holdings Ltd)

During the past year the Gloucester Ruby Project commenced work as continuous producing mine. Initially the wash plant was upgraded and then mining commenced from Area 4 and later moved to Area 11. The project site is located at the headwaters of the Manning River and all environmental aspects of the operation are monitored very closely by the Cluff personnel at site and by the EPA.

As a condition for operating the mine two Community Monitoring Consultative Committee (CMCC) meetings were held during the year. The Committee is made up of representatives from the local councils, the State Government authorities who have granted us licences to operate the mine (EPA and DIPNR), and a community representative. During meetings the environmental monitoring results are reviewed, the mining sites are inspected and an opportunity offered for the representatives to discuss the mining processes. Ultimately this communication ensures that the Company has complied with all licences and Development Application terms and conditions.

There were no pollution events or lost time incidents at the Ruby Mine. Ruby production is summarised below:

	Area 11	Area 4	Total
Tonnes washed (April 05 to March 06)	23,277	1,880	25,157
Rough carats produced (April 05 to February 06) (Facet Ruby + Facet Sapphire + Cabochon)	329,859	10,334	340,193



During the coming year mining will continue from Area 11 and is planned to commence from Area 2A, as governmental consent to commence from this area has recently been granted. This area is closer to the wash plant, but is of lower grade. It is expected that more consistent and higher levels of throughput will be achieved due to the recent installation of dewatering cells which allow much improved separation of fine clay from the processing water.

The Australian launch of the "Ellerston Gems" brand for Australian natural sapphire, held in Sydney in June, saw the introduction of the rainbow coloured range of cut gemstones set in jewellery to the industry. The natural, unheated cut gemstones are increasingly being recognised in the global gemstone and jewellery industry as a world-class product. The first phase of the marketing expansion has involved the selection of a small exclusive group of jewellery designers, both in Australia and overseas, who are setting the Ellerston stones into unique jewellery pieces: some of the first range of designs are shown on the inside back cover. The Ellerston Preferred Client network of jewellers will continue to produce these beautiful limited-run pieces, enabling the public to purchase the stones and to stimulate word-of-mouth promotion of the brand.

Displays at the New York and Tucson Gem and Jewellery trade shows were successful as a means to increase trade awareness of the Ellerston marketing program. The quality of the finished goods was demonstrated to large numbers of retailers and designers. Images of the jewellery already made by the Preferred Client designers from the USA, Australia and Asia were also displayed.

Ellerston Gems Pty Ltd have accumulated an inventory of over 2 million individual gemstones, and are encouraging significant new styling development by their Preferred Clients. Plans to promote the brand via a range of media channels (mainly in the USA) prior to the traditional high-demand Christmas period are well under way.

COPETON DIAMOND PROJECT (Cluff 100%)

Phase Two of the Copeton Diamond Shaft has commenced, and the shaft has now been deepened to a depth of 57 metres. It penetrated 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.

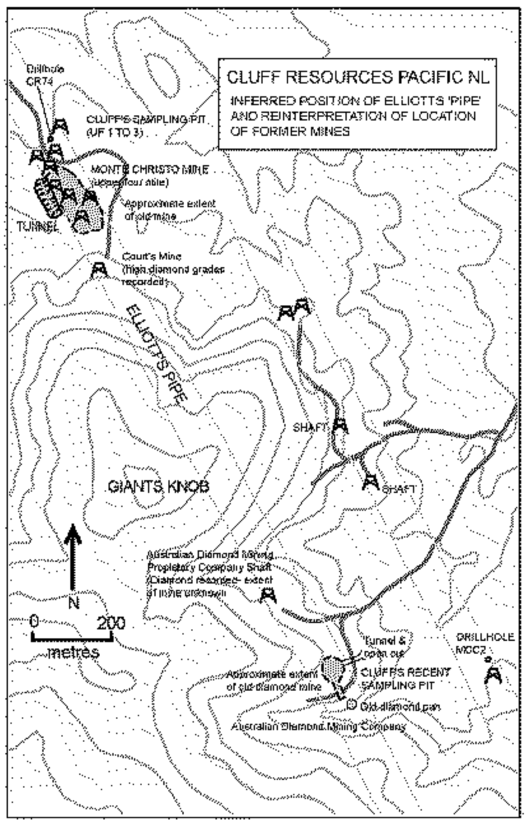
A 2 metre wide by 2 metre high tunnel (plat) has been developed for 6 metres at 57 metres depth, and the main sampling tunnel, similarly 2 metres by 2 metres, has been commenced at right angles to this, and now extends a distance of 6 metres. Vertical tunnels (rises) will shortly be constructed upward 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, is being installed.

The shaft is evaluating an inferred resource of 500,000 carats of diamonds (200,000 tonnes at a grade of 250 carats per hundred tones) that was prospected early last century. It is determining the nature of the deposit, its grade and thickness, evaluating possible mine production methods and recovering a parcel of diamonds for evaluation.

BINGARA DIAMOND PROJECT (Cluff 100%, royalty to Diamond Ventures NL)

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. The extent of this zone is shown below.



QUEENSLAND SAPPHIRE PROJECT (Cluff 100%)

During the year a survey of one of the Company's new Mining Lease areas just north of the township of Sapphire was completed (ML70094). This was a final requirement in order for the Company to proceed to add the area to its existing Environmental Authority so that exploration may commence. The area was visited in October, and a preliminary examination of the new lease was undertaken.

The market for Australian sapphire has continued to remain relatively flat, and markets for rough stone are not reliable at present. In anticipation of a change in market conditions consideration is being given to delineating an increased resource of sapphire under the Company's control, and we plan on continuing our exploration activities in the region once personnel resources become available from other projects.

SCHEDULE OF TENEMENTS (as at 15 March, 2006)

Permit/Licence Area	Name & Location	Cliff Resources Pacific NL Economic Entity Interest
DIAMOND EXPLORATION AND DEVELOPMENT		
EL3325	Bingara Central, NSW	100% (see Note 1)
MC194	Monte Christo, NSW	100%
EL6073	Copeton Central, NSW	100%
ML1058	Mount Ross, Copeton, NSW	100%
ML1059	Mount Ross, Copeton, NSW	100%
ML1083	Mount Ross, Copeton, NSW	100%
ML5904	Mount Ross, Copeton, NSW	100%
ML6153	Malacca, Copeton, NSW	100%
ML1232	Collas Hill, Copeton, NSW	100%
RUBY EXPLORATION		
EL5336	Barrington Tops, Gummi, NSW	100%
EL5703	Barrington Tops, Gummi, NSW	100%
SAPPHIRE MINING		
ML 70022	Sapphire, Queensland	100%
ML 70048	Sapphire, Queensland	100%
ML 7232	Sapphire, Queensland	100%
ML 1806	Sapphire, Queensland	100%
ML 70133	Sapphire, Queensland	100%
ML 70066	Sapphire, Queensland	100%
ML70094	Sapphire, Queensland	100%
ML 70095	Sapphire, Queensland	100%
ML 70096	Sapphire, Queensland	100%
RESIDUAL INTERESTS		
PEL27	Otway Basin, South Australia	0.75% (overriding royalty)

Note 1 – Diamond Ventures NL is entitled to a royalty of 10% of the first $20 million of any net profits, and 5% thereafter, arising from future production from the licence.

DIRECTORS' REPORT

The directors of Cluff Resources Pacific NL present their report on the Company and its controlled entities for the year ended 31 December 2005.

Directors
The names of the directors in office at any time during or since the start of the financial year to the date of this report are Peter Kennewell, Scott Enderby, Peter Barrow, and Stephen Gemell. Directors have been in office since the start of the financial year to the date of this report.

Company Secretary

The name of the company secretary in office at any time during or since the start of the financial year to the date of this report is Scott Enderby. The company secretary has been in office since the start of the financial year to the date of this report.

Principal activities
The principal activities of the consolidated entity during the course of the financial year were the prospecting for, and mining and marketing of, diamonds, rubies and sapphires. The major geographic emphasis was the mining of ruby prospects and the evaluation of diamond prospects in northern New South Wales, and the evaluation of sapphire prospects in Queensland. Mining commenced at the Company's ruby mining project in February 2005, following the receipt of the necessary approvals. There were no other significant changes in the nature of those activities during the financial year.

Operating results
The consolidated loss of the consolidated entity for the financial year was $1,407,547 (2004: $946,667).

Dividends
No dividend has been paid by the consolidated entities since the end of the previous financial year, and the directors recommend that no dividend be paid for the year ended 31 December 2005.

Review of operations
A review of the operations of the consolidated entity during the financial year and the result of those operations precedes this report. During the year the consolidated entity has continued the development of its ruby project assets and its exploration for diamonds. These activities have been funded by existing cash reserves, the sale of gemstones and share issues.

Significant changes in the state of affairs
During the year the consolidated entity raised $1,544,609 from share issues (2004: $3,491,780). This has enabled the continuation of exploration and trial mining on the consolidated entity's mining and exploration leases.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
On 19 January 2006, an Extraordinary General Meeting of shareholders was held to approve a securities placement to raise $750,000, which consisted of 53,571,428 fully paid ordinary shares, and 53,571,428 unlisted options expiring 30 June 2008 (with an exercise price of 2.0 cents) to Firebird Global Master Fund Limited. The shares were placed at a price of 1.2 cents and the options at 0.2 cents. This made Firebird Global Master Fund Limited a significant shareholder of the company with 8.23% voting power.

On 21 February 2006, the Company advised that underground operations had recommenced at the Copeton Diamond Shaft, in order to drive a horizontal tunnel from the shaft base into the inferred diamond resource.

In early March 2006, the Company repurchased its Hornsby offices and warehouse complex for $330,000, which was financed by a mortgage over the property.

On 22 March 2006, the Company announced it has entered into a heads of agreement to form a joint venture with Tech-Sol Resources Limited over gold mining and exploration tenements near Egerton in Victoria.

Apart from those matters mentioned above, there is at the date of this report no matter or circumstance which has arisen since 31 December 2005 that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the financial years subsequent to 31 December 2005.

Likely developments and expected results of operations
In 2006 the consolidated entity intends to focus its activities on developing a variety of gemstone projects in New South Wales, particularly its ruby project and the Bingara and Copeton diamond mining leases. Information as to likely developments in the consolidated entity's operations, including expected financial results in subsequent financial years would, in the opinion of the Directors, prejudice the interests of the parent entity and the consolidated entity and has therefore not been included in this report.

Environmental regulation performance
The consolidated entity's environmental obligations are regulated under both State and Federal law. All environment performance obligations are monitored by the Directors and subjected from time to time to Government site inspections. The consolidated entity has a policy of at least complying with, but in most cases exceeding its environmental performance obligations. No environmental breaches have been notified by any Government agency during the year ended 31 December 2005.

Information on Directors
Particulars of directors' qualifications and past experience, current responsibilities and shares and options held:

Qualifications and experience	Special responsibility	Particulars of equity held in Cluff Resource Pacific NL
Stephen G Gemell BE(Mining)(Hons), FAusIMM(CP), MMICA, MAIME	Chairman	916,666 shares

Mr Gemell has had more than 25 years experience in the mining industry, both in Australia and overseas. He has previously held executive and non-executive directorships in seven ASX-listed mining companies and three unlisted mine operators or joint venturers, and is also currently a Director of Uranium Exploration Australia Limited.

Peter J Kennewell B.Sc	Managing Director	6,801,684 shares 1,000,000 employee options

Mr Kennewell has had over thirty years professional experience in the Australian mineral and oil industry, and has been with the parent entity for the past twenty-one years as the Group's Exploration Manager and Managing Director. He has had responsibility for much of the exploration programme of the consolidated entity.

Scott M Enderby B.Com	Director Company Secretary	976,666 shares 500,000 employee options

Mr Enderby joined the Board in 1996, and has brought his expertise in marketing to the various project developments the consolidated entity has undertaken over this period.

Peter F Barrow FCA FAID	Director	716,666 shares

Mr Barrow is a senior partner of MBT Chartered Accountants, and within this capacity he has provided financial, taxation and audit advice to large public and private companies. He presently sits on the board at Flight Centre Limited, Australia's leading travel agency, a position which he has now occupied for 11 years.

Directors' Meetings

The number and attendances of the directors at meetings of the Board of Directors were:

	Attended	Maximum possible Attended
Stephen G Gemell	10	10
Peter J Kennewell	10	10
Scott M Enderby	10	10
Peter F Barrow	10	10

Directors' and officers' remuneration

Remuneration of directors and senior executives of the consolidated entity is established by the Board having regard to market factors.

Details of remuneration paid or payable in respect of directors are as follows:

	Salary	Superannuation	Consulting and/or Professional Fees	Directors' Fees	Compensation for expenses incurred	Total
	$	$	$	$	$	$
Stephen G Gemell	-	-	4,014	35,001	280	39,295
Peter J Kennewell	122,289	30,000	-	nil	-	152,289
Scott M Enderby	74,810	7,314	-	nil	-	82,124
Peter F Barrow	-	-	-	25,000	-	25,000
						298,708

Indemnification of officers and auditors

The Directors and Company Secretary are indemnified in the Articles of Association of the Company. There are no insurance or indemnity arrangements for the auditor of the consolidated entity.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity or intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or any part of those proceedings.

The consolidated entity was not party to any such proceedings during the year.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 December 2005 has been received and is included in these financial statements.

This report is made and signed in accordance with a resolution of the Board of Directors.

SCOTT ENDERBY
Director

PETER BARROW
Director

Hornsby NSW
31 March 2006

BALANCE SHEET
AS AT 31 DECEMBER 2005

	Note	Consolidated 2005 $	Entity 2004 $	Parent 2005 $	Entity 2004 $
CURRENT ASSETS					
Cash and cash equivalents	5	838,962	1,416,986	769,775	1,351,053
Trade and other receivables	6	515,915	189,596	89,740	174,547
Inventories	7	394,797	449,725	158,200	198,985
TOTAL CURRENT ASSETS		1,749,674	2 ,056,307	1,017,715	1, 724,585
NON-CURRENT ASSETS					
Trade and other receivables	8	-	-	3,934,877	3,375,832
Financial assets	9	-	-	-	-
Property, plant & equipment	10	704,118	563,815	704,118	563,815
Exploration, evaluation and pre-development expenditure	11	7,827,898	7,409,757	5,986,216	5,660,746
Development properties	12	2,396,671	2,463,341	-	-
TOTAL NON-CURRENT ASSETS		10,928,687	10,436,913	10,625,211	9,600,393
TOTAL ASSETS		12,678,361	12,493,220	11,642,926	11,324,978
CURRENT LIABILITIES					
Trade and other payables	13	275,498	238,021	214,228	218,481
Short-term provisions	14	69,030	58,428	35,602	25,000
TOTAL CURRENT LIABILITIES		344,528	296,449	249,830	243,481
TOTAL LIABILITIES		344,528	296,449	249,830	243,481
NET ASSETS		**12,333,833**	**12,196,771**	**11,393,096**	**11,081,497**
EQUITY					
Issued capital	15	44,620,259	43,075,650	44,620,259	43,075,650
Reserves	16	108,516	108,516	108,516	108,516
Accumulated losses	2	(32,394,942)	(30,987,395)	(33,335,679)	(32,102,669)
TOTAL EQUITY		**12,333,833**	**12,196,771**	**11,393,096**	**11,081,497**

The accompanying notes form an integral part of these financial statements.

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

		Consolidated Entity		Parent Entity	
		2005	2004	2005	2004
	Note	$	$	$	$
Sales revenue	3	866,046	396,110	14,618	80,891
Cost of sales		(712,497)	(425,177)	(9,960)	(1,325)
Gross profit		153,549	(29,067)	4,658	79,566
Other revenues	3	38,372	86,198	38,348	86,174
Distribution expenses		(32,410)	(21,713)	(32,410)	(21,683)
Marketing expenses		(7,783)	(45,814)	(7,783)	(45,746)
Occupancy expenses		(44,443)	(46,054)	(44,443)	(45,816)
Administrative expenses		(746,852)	(631,307)	(646,378)	(622,848)
Borrowing costs		-	-	-	-
Other expenses		(140,690)	(107,946)	(114,560)	(102,732)
Exploration and pre-development		(627,290)	(150,964)	(430,442)	(132,268)
Loss from ordinary activities Before income tax expense	2	(1,407,547)	(946,667)	(1,233,010)	(805,353)
Income tax expense relating to ordinary activities		-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners		**(1,407,547)**	**(946, 667)**	**(1,233,010)**	**(805,353)**
Basic earnings per share	17	(0.15)	(0.11)		

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

		Consolidated Entity			Parent Entity		
		Issued Capital	Retained Earnings	Asset Revaluation Reserve	Issued Capital	Retained Earnings	Asset Revaluation Reserve
	Note	$	$	$	$	$	$
Balance as at 1 January 2004		39,583,870	(30,040,728)	108,516	39,583,870	(31,297,316)	108,516
Shares issued during year		3,491,780			3,491,780		
Loss attributable to members			(946,667)			(805,353)	
Balance as at 31 December 2004		43,075,650	(30,987,395)	108,516	43,075,650	(32,102,669)	108,516
Shares issued during year		1,544,609			1,544,609		
Loss attributable to members			(1,407,547)			(1,233,010)	
Balance as at 31 December 2005		**44,620,259**	**(32,394,942)**	**108,516**	**44,620,259**	**(33,335,679)**	**108,516**

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Consolidated 2005 $	Entity 2004 $	Parent 2005 $	Entity 2004 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		434,357	396,110	14,618	80,891
Payments to suppliers and employees		(1,131,767)	(652,583)	(464,785)	(471,326)
Interest received		18,741	51,916	18,717	51,892
Borrowing costs		-	-	-	-
Goods and services tax paid		(235,009)	(252,392)	(234,113)	(252,169)
Net operating cash flows	23(b)	(913,678)	(456,949)	(665,563)	(590,712)
CASH FLOWS FROM INVESTING ACTIVITIES					
Exploration and development expenditure		(999,039)	(1,508,117)	(704,190)	(1,288,748)
Payments for property, plant & equipment		(302,826)	(423,267)	(302,826)	(423,267)
Proceeds from sale of property, plant & equipment		20,909	28,549	20,909	28,549
Loans to controlled entities		-	-	(474,218)	(81,485)
Net investing cash flows		(1,208,956)	(1,902,835)	(1,460,325)	(1,764,951)
CASH FLOWS FROM FINANCING ACTIVITIES					
Allotted share proceeds		1,544,610	2,656,743	1,544,610	2,656,743
Unallotted share proceeds		-	-	-	-
Repayments of bank loan		-	-	-	-
Net financing cash flows		1,544,610	2,656,743	1,544,610	2,656,743
Net (decrease) / increase in cash		(578,024)	296,959	(581,278)	301,080
Cash at the beginning of the year		1,416,986	1,120,027	1,351,053	1,049,973
Cash at the end of the year	23(a)	**838,962**	**1,416,986**	**769,775**	**1,351,053**

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, the Corporations Act 2001, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The accounting policies used are consistent with those adopted in the previous year.

The financial report covers the economic entity of Cluff Resources Pacific NL and controlled entities, and Cluff Resources Pacific NL as an individual parent entity. Cluff Resources Pacific NL is a listed public company, incorporated and domiciled in Australia.

The financial reports of Cluff Resources Pacific NL and controlled entities, and Cluff Resources Pacific NL as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety.

Basis of Preparation

Cluff Resources Pacific NL and controlled entities, and Cluff Resources Pacific NL as an individual parent entity have prepared in accordance with the Australian equivalents to International Financial Reporting Standards (IFRS) from 1 January 2005.

In accordance with the requirements of AASB 1: First-time adoption of Australian Equivalents to International Financial Reporting Standards (IFRS), adjustments to the parent entity and consolidated entity accounts resulting from the introduction of IFRS have been applied retrospectively to 2004 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. The consolidated accounts are the first financial statements of Cluff Resources Pacific NL to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets for which the fair value basis has been applied.

Accounting Policies

Principals of Consolidation
A controlled entity is any entity controlled by Cluff Resources Pacific NL. Control exists where Cluff Resources Pacific NL has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Cluff Resources Pacific NL to achieve the objectives of Cluff Resources Pacific NL. A list of controlled entities is contained in Note 9 to the financial statements.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Going Concern
The financial report has been prepared on the basis that the consolidated entity is a going concern.

It is the Directors' intentions to expand the consolidated entity's operations to exploit and develop its mining tenements. The directors have been conducting assessments of the alternative paths to take with respect to developing appropriate markets. The directors are containing cost levels and presently believe that there are sufficient funds to carry out these ongoing operations. If as a result of this assessment a project is to be developed economically, then at that point in time the Company will consider its funding options which would include raising further capital from share placements or rights issues.

Exploration, Evaluation and Pre-development Expenditure
Exploration, evaluation and pre-development expenditures incurred are charged against earnings as incurred except in the case of areas of interest where:

A. it is expected that the expenditure will be recouped by successful development or sale; or
B. at balance date, exploration and evaluation activities have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, and active and significant operations are continuing.

Where conditions set out in A or B above is met, expenditure is capitalised.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Development Properties
Development expenditure incurred is accumulated separately for each area of interest in which economically recoverable mineral resources have been identified to the satisfaction of the directors.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated with the costs of development and classified under non-current assets as "Development Properties". All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward, to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.
Amortisation is not charged until production commences. Amortisation charges are determined on a production output or time basis as appropriate.

Property, Plant & Equipment
Property, plant and equipment are held at cost or at directors' valuation. Directors' valuations are conducted every 5 years. A review by the Directors of the carrying value of the Company's property, plant and equipment showed that the current carry values were appropriate and no impairment was noted.

The cost of property, plant and equipment is depreciated on a straight-line basis over the period of the estimated useful life of the asset as follows:

	Life	Method
Buildings	50 years	Straight line
Office furniture and equipment	4 years	Straight line
Motor vehicle	4 years	Straight line
Plant and equipment	4 years	Straight line

Inventories
Inventories of diamonds, rubies and sapphires are valued at the lower of cost and net realisable value. Cost comprises direct material, labour and transportation expenditure in getting such inventories to their existing location and condition, together with an appropriate portion of fixed and variable overhead expenditure. Cost also includes an appropriate allocation of exploration, evaluation and pre-development expenditure once production has commenced in an area of interest. Net realisable value is the amount estimated as obtainable from the sale of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

Borrowing Costs
Borrowing costs are expensed as incurred.

Foreign Exchange
Transactions in foreign currencies have been converted at the rates of exchange applicable at the date of each transaction. Foreign currency balances arising from these transactions have been converted at the rates of exchange ruling at 31 December 2005. Gains and losses arising from exchange rate fluctuations are brought to account in the income statement.

Provision for Rehabilitation
The provision for rehabilitation represents charges against profits for future estimated total restoration and rehabilitation costs relating to areas from which natural resources have been extracted. In determining the costs of site restoration there is uncertainty regarding the nature and the extent of the restoration due to community expectations and future legislation.

Income Tax
The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Cluff Resources Pacific NL and its wholly owned Australian subsidiaries have not formed an income tax consolidated group under the tax consolidation regime.

Employee Entitlements
The amounts expected to be paid to employees for their pro-rata entitlement to long service and annual leave are accrued annually at current pay rates, including on costs such as payroll tax, superannuation and workers compensation, having regard to experience of employee turnover rates and periods of service.

2. LOSS FROM ORDINARY ACTIVITIES

The loss from ordinary activities before income tax has been determined after:

	Note	Consolidated Entity 2005 $	Consolidated Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Depreciation of property, plant & equipment		143,030	38,888	58,203	38,888
Auditors' remuneration					
- Audit		20,000	27,052	13,000	20,052
- Other		-	-	-	-
Operating lease rental	19	-	36,000	-	36,000
Provision for doubtful debts		-	(12,000)	-	(12,000)
Write-off of exploration expenditure on surrender of tenement	11	-	-	-	-
Write down of inventories to net realisable value		33,637	150,964	33,637	132,268
Provision for write-down of pre-development expenditure		491,583	-	396,805	-
(Profit)/Loss on disposal of property, plant and equipment		(19,501)	(11,556)	(19,501)	(11,556)

3. REVENUE

	Consolidated Entity 2005 $	2004 $	Parent Entity 2005 $	2004 $
Operating activities				
Sales of gemstones & jewellery sets	866,046	396,110	14,618	80,891
Other revenue:				
Interest received or receivable - other corporations	18,741	65,791	18,717	65,767
Profit/(Loss) on disposal of property, plant and equipment	19,501	11,556	19,501	11,556
Sundry	130	8,851	130	8,851
	38,372	86,198	38,348	86,174
Total revenue	904,418	482,308	52,966	167,065

4. INCOME TAX

	Consolidated Entity 2005 $	2004 $	Parent Entity 2005 $	2004 $
Reconciliation of prima facie income tax:				
Loss from ordinary activities before income tax	(1,407,547)	(946,667)	(1,233,010)	(805,353)
Prima facie income tax on operating loss at 30%	(422,264)	(284,000)	(369,903)	(241,606)
Tax effect of adjustments to derive income tax expense:				
Timing differences - provisions	178,095	(51,493)	119,041	(51,493)
Exploration and pre-development expenditure	(214,137)	(484,835)	(216,682)	(397,046)
Income tax effect of current year tax loss not brought to account	(458,306)	(820,328)	(467,544)	(690,145)
Income tax credit	-	-	-	-

The consolidated entity has unconfirmed carry forward tax losses, calculated according to Australian income tax legislation, estimated at $25,465,000 (2004 - $23,938,000), which will be deductible from future assessable income provided that income is derived, and:

(a) the parent entity and its controlled entities carry on prescribed petroleum or mining operations as defined in the Income Tax Assessment Act, as appropriate, or

(b) the parent entity and its controlled entities carry on a business of, or a business that includes, exploration or prospecting in Australia, for the purpose of discovering or extraction of minerals, as appropriate, and

(c) no changes in tax legislation adversely affect the parent entity and its controlled entities in realising the benefit from the deductions for the losses.

The benefit of these losses has not been brought to account because its ultimate realisation is not virtually certain.

5. CASH ASSETS

	Consolidated Entity 2005 $	2004 $	Parent Entity 2005 $	2004 $
Cash at bank and in hand	514,000	1,214,985	509,658	1,213,873
Bank short-term deposits	127,782	4,821	122,937	-
Other short-term deposits	197,180	197,180	137,180	137,180
Total cash and cash equivalents	838,962	1,416,986	769,775	1,351,053

The effective interest rate on short-term bank deposits was 5.3% (2004 - 5.0%); these deposits have an average maturity of 360 days.

6. RECEIVABLES

	Consolidated Entity 2005 $	2004 $	Parent Entity 2005 $	2004 $
CURRENT				
Trade receivables	464,736	122,281	22,160	101,720
Other receivables	51,179	67,315	67,580	72,827
	515,915	189,596	89,740	174,547
Less provision for doubtful debts	-	-	-	-
Net receivables	515,915	189,596	89,740	174,547

7. INVENTORIES

	Consolidated Entity 2005 $	2004 $	Parent Entity 2005 $	2004 $
At net realisable value				
Stock on hand – uncut loose gems	169,275	182,655	76,555	97,915
Stock on hand – cut loose gems	189,373	212,369	45,496	46,369
Stock on hand – jewellery	36,149	54,701	36,149	54,701
Total inventories	394,797	449,725	158,200	198,985

8. RECEIVABLES

	Consolidated Entity 2005 $	2004 $	Parent Entity 2005 $	2004 $
NON-CURRENT				
Receivable from wholly owned subsidiaries	-	-	8,114,933	7,555,888
Provision for impairment	-	-	(4,180,056)	(4,180,056)
Net receivables	-	-	3,934,877	3,375,832

9. OTHER FINANCIAL ASSETS

Investments in controlled entities

	Parent 2005 $	Entity 2004 $
Shares in controlled entities, at cost	746,021	746,020
Less provision for impairment	(746,201)	(746,020)
Shares in controlled entities, net	-	-

The following were controlled entities at or during the year ended 31 December 2005 and have been included in the consolidated accounts. The shares issued by the controlled entities are all ordinary shares.

	% Ownership	Place of Incorporation and business
Cluff Minerals (Australia) Pty Limited	100	New South Wales Aust
NSW Gold NL	100	New South Wales Aust
Cluff Mining Pty Limited	100	New South Wales Aust
Cluff Open Cut Mining Pty Limited	100	New South Wales Aust
Elephant Gold Pty Limited	100	New South Wales Aust

The business of each subsidiary is carried on in its country of origin

10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2005 $	Entity 2004 $	Parent 2005 $	Entity 2004 $
Office furniture and equipment, at deemed cost				
Opening balance	8,288	8,288	8,288	8,288
Additions	-	-	-	-
Disposals	-	-	-	-
Closing balance	8,288	8,288	8,288	8,288
Accumulated depreciation				
Opening balance	(8,288)	(8,288)	(8,288)	(8,288)
Depreciation for year	-	-	-	-
Disposals	-	-	-	-
Closing balance	(8,288)	(8,288)	(8,288)	(8,288)
Net book value	-	-	-	-
Office furniture and equipment, at cost				
Opening balance	100,958	88,218	100,958	88,218
Additions	6,603	12,740	6,603	12,740
Disposals	-	-	-	-
Closing balance	107,561	100,958	107,561	100,958
Accumulated depreciation				
Opening balance	(85,201)	(70,792)	(85,201)	(70,792)
Depreciation for year	(7,697)	(14,410)	(7,697)	(14,410)
Disposals	-	-	-	-
Closing balance	(92,898)	(85,202)	(92,898)	(85,202)
Net book value	14,663	15,756	14,663	15,756
Motor vehicles, at deemed cost				
Opening balance	35,564	35,564	35,564	35,564

Additions	-	-	-	-
Disposals	(12,626)	(12,626)	(12,626)	(12,626)
Closing balance	22,938	22,938	22,938	22,938
Accumulated depreciation				
Opening balance	(35,564)	(35,564)	(35,564)	(35,564)
Depreciation for year	-	-	-	-
Disposals	12,626	12,626	12,626	12,626
Closing balance	(22,938)	(22,938)	(22,938)	(22,938)
Net book value	-	-	-	-
Motor vehicles, at cost				
Opening balance	327,779	179,250	327,779	179,250
Additions	-	170,491	-	170,491
Disposals	-	(21,962)	-	(21,962)
Closing balance	327,779	327,779	327,779	327,779
Accumulated depreciation				
Opening balance	(167,668)	(157,791)	(167,668)	(157,791)
Depreciation for year	(44,555)	(28,392)	(44,555)	(28,392)
Disposals	-	18,515	-	18,515
Closing balance	(212,223)	(167,668)	(212,223)	(167,668)
Net book value	115,556	160,111	115,556	160,111
Plant and equipment, at cost				
Opening balance	993,633	790,853	993,633	790,853
Additions	296,022	227,780	296,022	227,780
Disposals	(31,293)	(25,000)	(31,293)	(25,000)
Closing balance	1,258,362	993,633	1,258,362	993,633
Accumulated depreciation				
Opening balance	(744,585)	(660,870)	(744,585)	(660,870)
Depreciation for year	(108,863)	(95,173)	(108,863)	(95,173)
Disposals	29,885	11,458	29,885	11,458
Closing balance	(823,563)	(744,585)	(823,563)	(744,585)
Net book value	434,799	249,048	434,799	249,048
Plant and equipment, at deemed cost				
Opening balance	541,978	543,536	541,978	543,536
Additions	-	-	-	-
Disposals	-	(1,558)	-	(1,558)
Closing balance	541,978	541,978	541,978	541,978
Accumulated depreciation				
Opening balance	(541,978)	(543,536)	(541,978)	(543,536)
Depreciation for year	-	-	-	-
Disposals	-	1,558	-	1,558
Closing balance	(541,978)	(541,978)	(541,978)	(541,978)
Net book value	-	-	-	-

Joint Venture				
plant & equipment, at cost				
Opening balance	-	75,000	-	75,000
Additions	-	-	-	-
Disposals	-	-	-	-
Transfer to plant and equipment				
On joint venture termination	-	(75,000)	-	(75,000)
Closing balance	-	-	-	-
Accumulated depreciation				
Opening balance	-	(60,938)	-	(60,938)
Depreciation for year	-	-	-	-
Disposals	-	-	-	-
Transfer to plant and equipment				
On joint venture termination	-	60,938	-	60,938
Closing balance	-	-	-	-
Net book value	-	-	-	-
Land and buildings, at cost				
Opening balance	138,900	126,645	138,900	126,645
Additions	200	12,255	200	12,255
Disposals	-	-	-	-
Closing balance	139,100	138,900	139,100	138,900
Accumulated Depreciation				
Opening balance	-	-	-	-
Depreciation for year	-	-	-	-
Disposals	-	-	-	-
Closing balance	-	-	-	-
Net book value	139,100	138,900	139,100	138,900
Total property, plant & equipment				
- at deemed cost	573,204	573,204	573,204	573,204
- at cost	1,832,803	1,561,270	1,832,803	1,561,270
Total Accumulated depreciation	(1,701,889)	(1,570,659)	(1,701,889)	(1,570,659)
Property, plant & equipment	704,118	563,815	704,118	563,815

Office furniture and equipment, motor vehicles and plant and equipment were last revalued by the Directors as at 31 December 2002. Valuations were based on the Directors' assessments of recoverable values of each asset, having regard to current market values.

11. EXPLORATION, EVALUATION AND PRE-DEVELOPMENT EXPENDITURE

	Consolidated 2005 $	Entity 2004 $	Parent 2005 $	Entity 2004 $
Exploration and evaluation				
Cost:				
Expenditure brought forward	943,499	931,284	253,541	253,541
Less: transfer to pre-development	-	-	-	-
Add: expenditure for year	195,944	12,215	-	-
Less: expenditure written off on areas relinquished	-	-	-	-
	1,139,443	943,499	253,541	253,541
Provision for impairment:				
Provision brought forward	602	602	-	-
Add: Increase during year	-	-	-	-
	602	602	-	-
Exploration and evaluation, net	1,138,841	942,897	253,541	253,541
Pre-development				
Cost:				
Expenditure brought forward	7,709,625	6,404,976	5,407,205	4,083,718
Add: transfer from exploration and evaluation	-	-	-	-
Add: expenditure for year	713,790	1,304,649	722,275	1,323,487
Less: transfer to development properties	-	-	-	-
	8,423,415	7,709,625	6,129,480	5,407,205
Provision for impairment:				
Provision brought forward	1,242,765	1,242,765	-	-
Add: Increase during year	491,593	-	396,805	-
	1,734,358	1,242,765	396,805	-
Pre-development, net	6,689,057	6,466,860	5,732,675	5,407,205
Total exploration, evaluation and pre-development, net	7,827,898	7,409,757	5,986,216	5,660,746

The exploration and evaluation expenditure has been accounted for on the basis set out in Note 1 and relates to areas of interest in the exploration phase and which have not yet reached the stage where a reasonable estimate of the existence or otherwise of economically recoverable reserves can be made.

Pre-development exploration expenditure has been accounted for on the basis set out in Note 1. Pre-development expenditure relates to areas of interest in the sampling and trial mining phase and for which the directors believe economically recoverable mineral reserves have not yet been established, and commercial levels of production have not yet commenced. No amortisation is provided in respect of such expenditure until commercial mining has commenced.

The ultimate recovery of the costs incurred on areas for which current title is held is dependent upon the successful exploration, exploitation and development of areas of interest or by their sale, and accordingly is uncertain. As disclosed in Note 1, the directors will need to raise further capital from share placements and/or rights issues to enable ongoing activity in these areas of interest.

12. DEVELOPMENT PROPERTIES

	Consolidated 2005 $	Entity 2004 $	Parent 2005 $	Entity 2004 $
Development properties				
Cost:				
Expenditure brought forward	2,463,341	2,185,832	-	-
Add: expenditure for year	24,400	277,509	-	-
Less: production amortisation	(91,070)	-	-	-
	2,396,671	2,463,341	-	-
Provision for impairment:				
Provision brought forward	-	-	-	-
Add: Increase during year	-	-	-	-
	-	-	-	-
Total development properties, net	2,396,671	2,463,341	-	-

13. PAYABLES

	Consolidated 2005 $	Entity 2004 $	Parent 2005 $	Entity 2004 $
CURRENT				
Unsecured				
Trade creditors	170,179	145,570	158,414	136,802
Accrued expenses	105,319	92,451	55,814	81,679
Total payables	275,498	238,021	214,228	218,481

14. PROVISIONS

	Consolidated 2005 $	Entity 2004 $	Parent 2005 $	Entity 2004 $
CURRENT				
Rehabilitation of mining properties	58,428	58,428	25,000	25,000
Annual Leave	10,602	-	10,602	-
Total provisions	69,030	58,428	35,602	25,000

Obligations under exploration and mining leases granted by NSW Department of Mineral Resources are secured against cash deposits with the NSW Department of Mineral Resources. Included with Cash and cash equivalents of $838,962 for the consolidated entity (2004 – $1,416,986) are cash deposits of $197,180 (2004 - $197,180) held by the NSW Department of Mineral Resources as security against rehabilitation of mining properties.

15. CONTRIBUTED CAPITAL

	2005		2004	
	Number of shares	**$**	**Number of shares**	**$**
Issued capital fully paid				
At the beginning of the year	916,650,233	42,975,650	806,855,697	39,483,870
Issued during the year (a)	117,333,333	1,544,609	109,794,536	3,491,780
On issue at the end of the year	1,033,983,566	44,520,259	916,650,233	42,975,650
Issued capital partly paid				
At the beginning of the year	73,724,328	100,000	73,724,328	100,000
Issued during the year	-	-	-	-
On issue at the end of the year	73,724,328	100,000	73,724,328	100,000
Total on issue at the end of the year	1,107,707,894	44,620,259	990,374,561	43,075,650

(a) During the year, a total of 117,333,333 (2004 –109,794,536) fully paid listed shares were issued to provide an increase in working capital and funds for the carrying out of trial mining operations and further exploration for diamonds at Copeton and Bingara, and ruby mining at Gloucester, NSW.

16. RESERVES

	Consolidated	Entity	Parent	Entity
	2005	2004	2005	2004
	$	$	$	$
Asset revaluation reserve	108,516	108,516	108,516	108,516

17. EARNINGS PER SHARE

	Consolidated	Entity
	2005	2004
Basic earnings per share (cents per share)	Cents (0.15)	Cents (0.11)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	948,080,782	877,833,604

Potential ordinary shares are represented by the options disclosed in Note 17. As the consolidated entity has incurred losses after tax from normal operations in the current and previous years, the subscription for ordinary share capital in respect of these potential ordinary shares would not result in diluted earnings per share inferior to the basic earnings per share shown above. Accordingly, diluted earnings per share are not disclosed.

18. FINANCIAL REPORTING BY SEGMENTS

The consolidated entity and parent entity operate predominantly in one industry and one geographic area, being the participation in prospecting and mining for rubies, diamonds and sapphires within Australia.

19. OPERATING LEASE COMMITMENTS

	Consolidated 2005 $	Entity 2004 $	Parent 2005 $	Entity 2004 $
Operating lease commitments contracted but not provided for:				
Not later than one year	-	36,000	-	36,000
Later than one year but not later than five years	-	-	-	-
Total	-	36,000	-	36,000

20. OTHER COMMITMENTS

Exploration
To retain its interest in various permits the consolidated entity is committed to contribute its share of costs as they are incurred. Due to the nature of the consolidated entity's operations in the exploration and evaluation of areas of interest it is not possible to forecast the nature or amount of such future expenditure.

Guarantees
Bank guarantees in respect of the controlled entity's share of mineral exploration expenditure commitments for certain areas of interest which were outstanding at 31 December, 2005 amounted to $115,000 for the consolidated entity (2004 - $14,000) and $Nil for the parent entity (2004 - $Nil). Included in Cash and cash equivalents of $838,962 for the consolidated entity (2004 - $1,416,986) are short term deposits of $4,845 (2004 - $4,821) held by Westpac Banking Corporation as security against bank guarantees issued.

Security Deposit
Security deposits have been lodged with the NSW Department of Mineral Resources, Queensland Department of Natural Resources and Mines Guyra Shire Council, the Commonwealth Bank and the Westpac Banking Corporation. Included in Cash and cash equivalents of $838,962 for the consolidated entity (2004 - $1,416,986) are short term deposits of $324,962 (2004 - $202,001).

21. STAFF COSTS

Remuneration of Directors
The number of directors of the parent entity and of the consolidated entity who received, or were due to receive, remuneration including brokerage, commissions, bonuses and salaries (but excluding any payments in connection with their retirement, such payments being disclosed later in this note under 'retirement benefits'), directly or indirectly, from the parent entity or any related corporation, as shown in the following bands, were:

$	2005	2004
0 - 9,999	0	0
20,000 - 29,999	1	1
30,000 - 39,999	1	1
70,000 - 79,999	0	0
80,000 - 89,999	1	1
110,000 - 119,999	0	0
120,000 - 129,999	0	1
150,000 - 159,999	1	1

The aggregate remuneration of the directors referred to in the above bands is $298,708 (2004 - $267,743).

Superannuation Commitments

The consolidated entity contributes to a number of superannuation funds in respect of superannuation guarantee obligations to wages staff and contractors.

22. RELATED PARTIES

Controlled Entities
Information relating to the controlled entities is set out in note 8(a).

Directors
The names of the persons who were directors of the parent entity at any time during the financial year are as follows:

Stephen G Gemell
Peter J Kennewell
Scott M Enderby
Peter F Barrow

	Shares and options issued by parent entity	
	2005	**2004**
Shares and share options acquired from the entity during the year		
Ordinary shares	1,666,664	-
Employee ordinary share options	1,500,000	-
Shares and share options held at end of the year		
Ordinary shares	9,411,682	8,161,684
Employee ordinary share options	1,500,000	-

Each director was allotted 416,666 shares at 1.2 cents per share on 15 November 2005.

Employee ordinary share options are:
- not transferable,
- expire on 13 April 2008, and
- are exercisable at 2.0 cents per option.

Other Director Transactions

Other information relating to specific types of transactions with directors is set out in Note 21 – Staff Costs.

Transactions with Related Parties

	Consolidated Entity		Parent Entity	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Consulting fees paid to directors or companies in which directors have an ownership interest (1)	4,014	-	4,014	-

(1) Entities in which directors at 31 December 2005 have an ownership interest, provided consultancy to the consolidated entity during the year. The amounts paid are at commercial daily rates and are included in the remuneration of directors disclosed in Note 21.

23. CASH FLOW INFORMATION

(a) Reconciliation of cash

For the purpose of the Cash Flow Statement, cash includes cash on hand and at banks and deposits. Cash at the end of the financial year in the Cash Flow Statement is reconciled to Cash and cash equivalents in the Balance Sheet as follows:

	Consolidated Entity 2005 $	Consolidated Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Cash and cash equivalents	838,962	1,416,986	769,775	1,351,053

(b) Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax

	Consolidated Entity 2005 $	Consolidated Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Loss from Ordinary Activities after income tax	(1,407,547)	(946,667)	(1,233,010)	(805,353)
Non Cash Flows in Loss from Ordinary Activities				
Provision for write-down of pre-development expenditure	491,583	-	396,805	-
Depreciation expense	143,030	38,888	58,203	38,888
Audit fee accrual	15,000	5,000	13,000	5,000
Provision for doubtful debts	-	(12,000)	-	(12,000)
Write-off of exploration and development properties expenditure	102,070	12,831	-	8,000
Receivables accrued	431,689	-	-	-
(Profit)/Loss on disposal of property, plant & equipment	(19,501)	(11,556)	(19,501)	(11,556)
Stock write-down	33,637	150,964	33,637	132,268
Interest not received	-	13,875	-	13,875
Change in assets and liabilities:				
(Decrease) / increase in creditors and provisions	33,079	58,999	(6,652)	54,596
Decrease / (increase) in receivables	(758,008)	58,024	84,807	(18,426)
Decrease / (increase) in inventories	21,290	174,693	7,148	3,996
Net cash outflow from operating activities	(913,678)	(456,949)	(665,563)	(590,712)

24. COMPARATIVE INFORMATION

Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

CLUFF RESOURCES PACIFIC NL
DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001:
   i) comply with Accounting Standards and the Corporations Regulations 2001; and
   ii) give a true and fair view of the financial position as at 31 December 2005 and of the performance for the year ended on that date of the company and economic entity;
2. the Chief Executive Officer and the Chief Finance Officer have each declared that:
   i) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   ii) the financial statements and notes for the financial year comply with the Accounting Standards; and
   iii) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

SCOTT ENDERBY
Director

PETER BARROW
Director

Hornsby, NSW
31 March 2006

STATEMENT OF CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS

The Company, being an independent exploration and mining company, operates such that the majority of management and other decisions are undertaken by the Board of Directors directly. Accordingly, the Board takes responsibility for corporate governance and operates in accordance with the following principles:

- the Board comprises a minimum of four directors;
- not less than half the Board should be Non-executive Directors;
- the Chairman should be a Non-executive Director who is elected by the full Board;
- the Board should comprise Directors with a broad range of skills and experience relevant to the business of the Company; and
- the issue of board membership is generally a matter to be decided by the shareholders at general meetings.

INDEPENDENT PROFESSIONAL ADVICE

Directors may seek independent professional advice at the Company's expense with the approval of the Board of Directors.

REMUNERATION POLICIES

The remuneration of directors is determined by the Remuneration Committee based on commercial rates relevant to the nature of services provided. The members of the Remuneration Committee during the year were S Gemell, P Barrow, P Kennewell and S Enderby. The remuneration is disclosed in notes 21 and 22.

AUDIT COMMITTEE

The role of the Audit Committee is to advise on the establishment and maintenance of a framework of internal controls and appropriate ethical standards for the management of the Consolidated Entity. It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report. Among its specific responsibilities, the committee reviews and advises the Board on the nomination and remuneration of auditors and reviews the terms of their engagement, and the scope and quality of their audit.

The members of the Audit Committee during the year were S Gemell, P Barrow, P Kennewell, and S Enderby.

INDEPENDENT AUDIT REPORT

To the Members of Cluff Resources Pacific NL:

Scope

I have audited the financial report of Cluff Resources Pacific NL for the financial year ended 31 December 2005 as set out on pages 13 to 32. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with my understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of Cluff Resources Pacific NL is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2005 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards and the Corporations Regulations 2001 and

(b) other mandatory professional reporting requirements.

Inherent Uncertainty Regarding Continuation as a Going Concern and Recoverability of Assets

Without qualification to the opinion expressed above, attention is drawn to the following matter:

As a result of the matter described in Note 1, there is uncertainty whether the company will be able to continue as a going concern, and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial statements.

Included in current assets are gemstone inventories of $394,797 and in other non-current assets, exploration, evaluation and pre development expenditure of $7,827,898 and development properties of $2,396,671. The ability of the company to continue as a going concern is dependent on the recovery of the book value of these assets, the raising of further capital through rights issues and share placements, successful development of current and future areas of interest and the expansion of new markets for the company's gemstone products.

Martin Jack Hager & Co
Chartered Accountant

Signed at Hornsby, NSW on 31 March 2006.

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF CLUFF RESOURCES PACIFIC LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2005 there have been:

1. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

Martin Jack Hager & Co

Martin Hager

Date: 31 March 2006

Suite 1 23A Station Street
HORNSBY NSW 2077

SUBSTANTIAL SHAREHOLDERS

The company's register of substantial shareholders recorded the following information as at 23 March 2006. Shareholdings in this name represent 5 percent or more of each class of equity.

Name	Ordinary Number	Shares Holding
Fully paid shares		
Citicorp Nominees and Firebird Global Master Fund Limited	148,224,778	13.51 %
Unlisted 30 June 2008 2.0 cent options		
Firebird Global Master Fund Limited	53,571,428	65.67 %
Partly paid shares		
Television Corporation of Australia Pty Limited	73,724,328	100 %

SPREAD OF SHAREHOLDINGS AND VOTING RIGHTS

At 23 March 2006 there were 7,524 holders of shares. The shareholders are entitled to one vote for each share held.

Distribution of Shareholdings	Shares
1 - 1,000	149
1,001 - 5,000	826
5,001 - 10,000	880
10,001 - 100,000	4,041
Over 100,001	1,628
	7,524

As at 23 March 2006 there were 3,191 shareholders holding less than a marketable parcel of 22,727 shares.

TWENTY LARGEST SHAREHOLDERS AND OPTIONHOLDERS

The 20 largest holders of fully paid ordinary shares held 26.602% of the total issued.

The 20 largest holders of unlisted 30 June 2008 2.0 cent options held 100% of the total issued.

The 20 largest holders of partly paid ordinary shares held 100.00% of the total issued.

The principal registered office in Australia is Unit 1, 30 Leighton Place, Hornsby NSW 2077.
Telephone (02) 9482 4655. Facsimile (02) 9482 4987.

The share register is held at Registries Limited, Level 2, 28 Margaret Street, Sydney, NSW 2000.
Telephone (02) 9290 9600. Facsimile (02) 9279 0664.

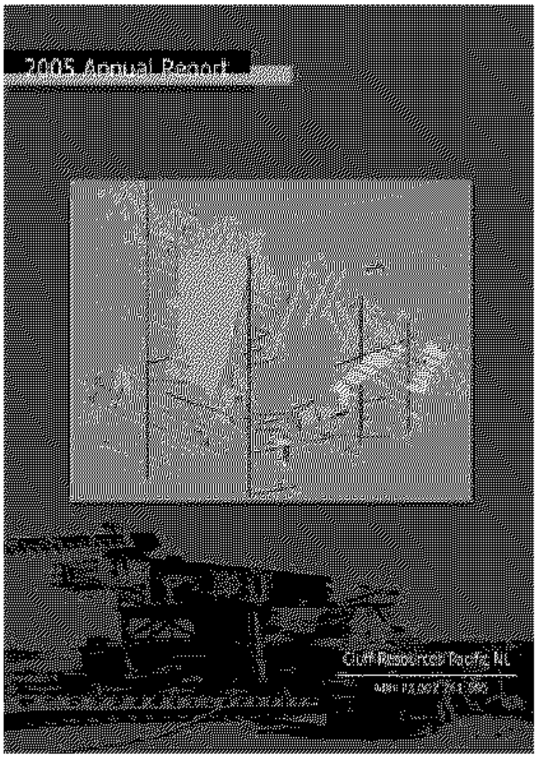
The names and addresses of the twenty largest shareholders as at 23 March 2006 have been lodged with the Australian Stock Exchange (Sydney) Limited.

The following are the names of and number of equity securities held by the 20 largest holders in each class of equity as at 23 March 2006.

Cluff Resources Pacific NL
Fully Paid Ordinary
Top 20 Holdings as at 23 March 2006

Holder Name	Number of shares	% of Capital
CITICORP NOMINEES PTY LIMITED	94,653,350	8.630
FIREBIRD GLOBAL MASTER FUND LIMITED	53,571,428	4.884
JONENDERBEE INVESTMENTS PTY LIMITED	20,009;671	1.824
MR IAN ANTHONY JOHNS	12,187,331	1.111
MR UWE SCHUMACHER	11,124,002	1.014
JOHNS CORPORATION PTY LIMITED	11,052,409	1.008
MAREKAR PTY LIMITED	11,000,000	1.003
DIAMOGEM PTY LIMITED	8,500,000	0.775
MRS VICTORIA ANNE JOHNS	7,864,439	0.717
EARL INVESTMENTS PTY LIMITED <THE PJE SUPER SCHEME>	6,616,666	0.603
MR VICTOR STANLEY KUDRA	6,585,969	0.600
CUSTODIAL SERVICES LIMITED	6,519,908	0.594
MR PHIL CIVIL	6,300,000	0.574
MR DARRY THAKAR SINGH	6,000,000	0.547
MR JOHN EDGAR FISHER	5,681,667	0.518
GOLDRIM INVESTMENTS PROPRIETARY LIMITED	5,223,745	0.476
ANZ NOMINEES LIMITED	4,807,552	0.438
MR XUE CHENG JIN	4,800,000	0.438
MRS PATRICIA MARGARET BARNETT	4,675,000	0.426
PARKVIEW SERVICES (AUSTRALIA) PTY LTD <PARKVIEW SERVICES S/F A/C>	4,610,329	0.420
	291,783,466	26.602
	1,096,846,244	

ON THE FRONT COVER



Three dimensional model of the former mines of the Egerton Goldfield, showing the main shafts (vertical, in black). From left to right they are the Black Horse, the Widdison, the Main Egerton, the Sister Rose, and the Rose Shafts. The deepest shaft is the Black Horse, at 536 metres total depth.

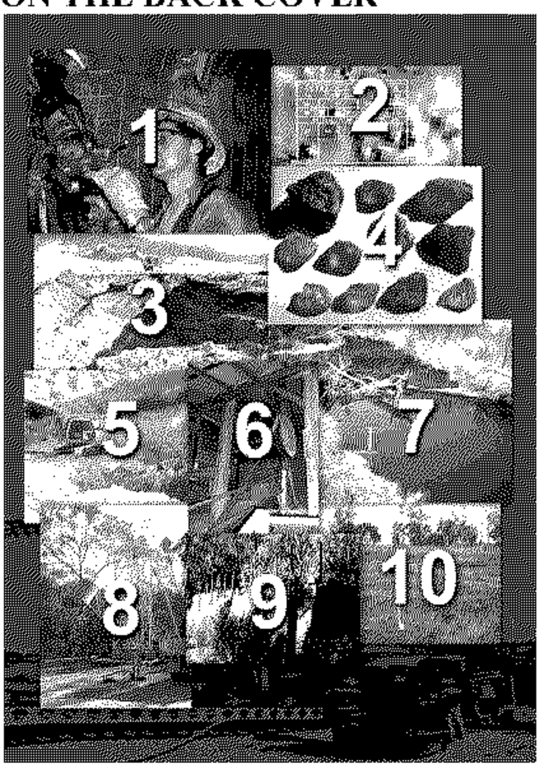
The brown horizontal lines are tunnels which were driven to intersect and access the high grade gold bearing ore shoots, shown on the model in green. The mapped horizontal workings extend over a length of 1.4 kilometres.

It is obvious from the model that this gold deposit is large in extent, and high grade shoots of gold mineralization in quartz are consistent between mine levels.

The possibility that the gold bearing zones are more extensive than the areas mined is also apparent. It is unlikely that unworked areas of reef between known workings are devoid of gold, and may be workable at grades lower than in the early 1900s, due to the present gold price.

Modern drill holes are shown as angled lines at the top of the model (all starting at the surface). It is also clear that none of this recent evaluation has tested the potential of these former mines to host economic gold deposits beneath the former workings. Cluff intends to evaluate the potential for deeper economic gold mineralisation by drilling deeper holes.

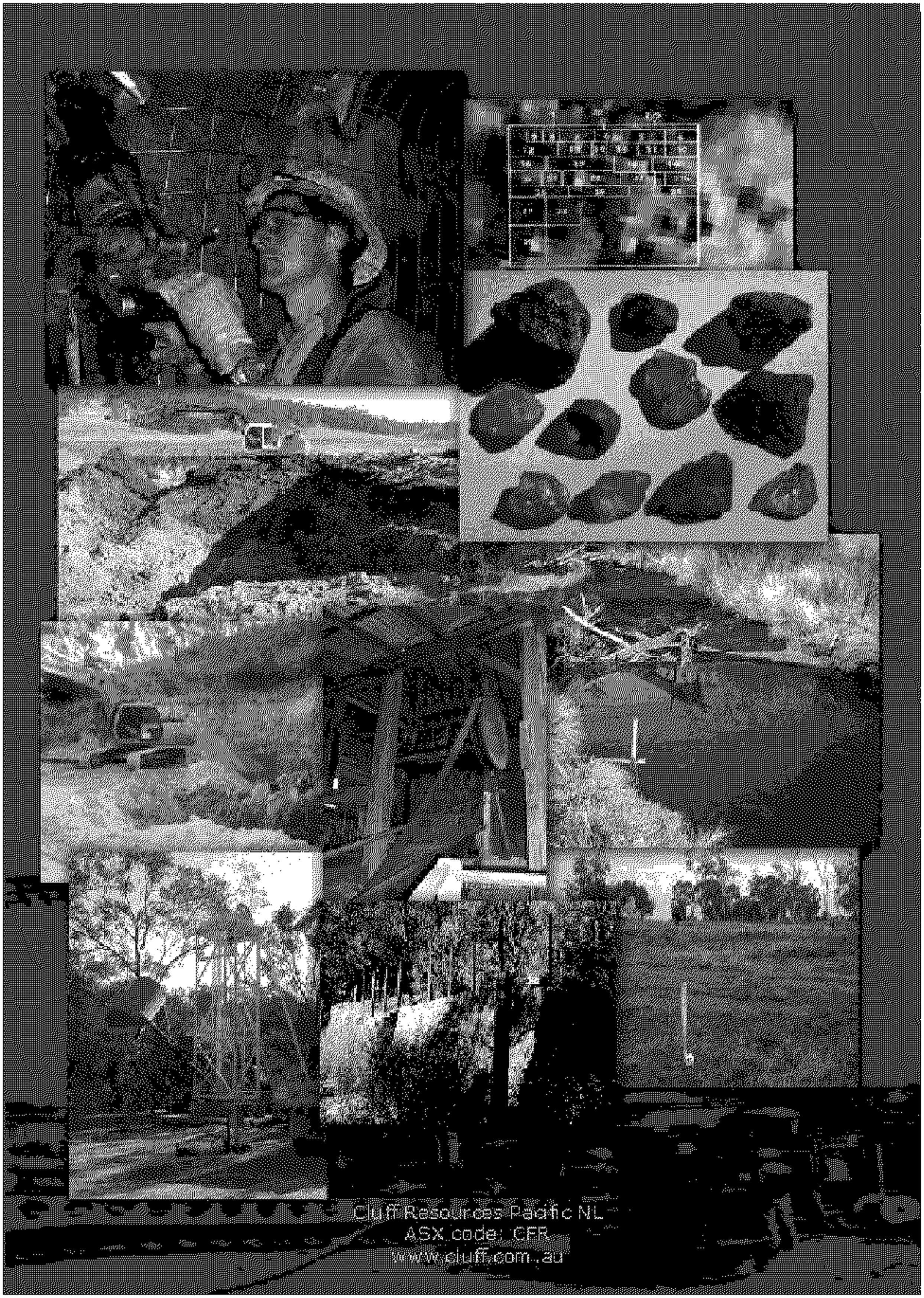
ON THE BACK COVER



1. Drilling in the shaft at the Copeton Diamond Project
2. Area 11 at the Ruby Mine, showing pit section locations and magnetic survey readings
3. Digging ruby gravels in Area 11 at the Ruby Mine
4. A selection of larger rubies and sapphires, ranging from 0.56 carats up to 5.17 carats in weight.
5. Digging an exploration pit in the old Star Tunnel portal, from which several diamonds were recovered
6. The historic Mount Egerton gold battery was kept running non-stop when the region hosted several of Australia's largest gold mines about 100 years ago.
7. Water monitoring device in the river at the Ruby Mine, where there have been no water pollution events recorded since full scale mining commenced.
8. Headframe and vacuum ore lift at the Copeton Diamond Shaft.
9. Winder foundations for the Blackhorse Mine at the Egerton goldfields, world famous in its time (early 1900's).
10. Lease marker post for ML70094 at the Queensland Sapphire Project.

Shown above are some of the exciting first generation designs by Australian jewellers who are participating in the Ellerston Natural Gems preferred client program.
All designs feature an array of Ellerston gemstones in a variety of colour combinations, mined exclusively by Cliff.
We encourage shareholders to visit the jewellers to view the beauty of these rare pieces, or to contact the jewellers if you are interested in purchasing jewellery containing Ellerston Natural Gems.

Percy Marks (02) 9233 1355 | Giulians (02) 9252 2051 | Rox (02) 9232 7828 | Jan Logan (02) 9363 2529
percymarks.com.au | giulians.com.au | rox.com.au | janlogan.com.au


Cluff Resources Pacific NL
ASX code: CFR
www.cluff.com.au

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the shareholders of Cluff Resources Pacific NL will be held at:

The Menzies Sydney Hotel, 14 Carrington Street, Sydney, 2000 (The Canberra Suite) on Tuesday 30th May 2006 at 11.00 am. (please note new location)

BUSINESS

Ordinary Resolutions

1. To receive and approve the Annual Report and accounts of the Company for the year ending 31 December 2005.

2. To elect Mr. Scott Monro Enderby as a Director of the Company upon his retirement by rotation in accordance with the Articles of the Company.

3. To approve the cancellation of 708,750 forfeited shares in accordance with Section 256C Part (2)(a) of the Corporations Act 2001

Scott Enderby, Company Secretary, By order of the Board

PROXY FORM

To the Company Secretary, Cluff Resources Pacific NL

I (the undersigned)..(full name)

of..(address)

....(telephone)

being a shareholder of Cluff Resources Pacific NL hereby appoint

....

of..

or failing him the Chairman of the meeting as my proxy to vote for me on my behalf at the Annual General Meeting of the Company to be held in The Canberra Suite, The Menzies Sydney Hotel on 30th May 2006 and at any adjournment thereof.

If two proxies are being appointed, the proportion of voting rights this proxy is appointed to represent is.........................shares.

....(Shareholder signature)

Dated 2006

Should you wish to direct your proxy how to vote please insert X in the appropriate box against each item, otherwise your proxy may vote as he or she thinks fit, or may abstain from voting.

ORDINARY RESOLUTIONS

	FOR	AGAINST
1. To receive and approve the Annual Report and accounts of the Company for the year ended 31 December, 2005 .	[ ]	[ ]
2. To elect Mr Scott Monro Enderby as a Director of the Company	[ ]	[ ]
3. To approve the cancellation of 708,750 shares in accordance with Section 256C Part (2)(a) of the Corporations Act 2001	[ ]	[ ]

Important Notes:

1. The form must be completed and lodged at the registered office of the company not less than 48 hours before the time appointed for the relative meeting.
2. A member entitled to attend and vote at a general meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the company.
3. Where a member appoints two proxies the appointment shall be of no effect unless each proxy is appointed to present a specified proportion of the member's voting rights.
4. Where the shares are held jointly both or all partners must sign the proxy form.
5. The form must be signed personally by the member or by his attorney. A Corporation must sign under its common seal or under the hand of an officer or attorney duly authorised.
6. Where the form is signed by a Corporation under seal or by an attorney a copy of the relative memorandum and articles or power of attorney, if not previously exhibited to the company, must be produced at the registered office not less than 48 hours before the time appointed for holding the relative meeting.
7. If more than one proxy is to be appointed use separate forms. Additional forms are available from the registered office of the Company

Cluff Resources Pacific NL

ABN 72 002 261 565

27 April, 2006

Dear Shareholder,

SECURITY PURCHASE PLAN

With the recent announcement that we have signed a heads of agreement to enter into a joint venture to develop and explore gold tenements near **Egerton** in Victoria, your Company has signalled its intent to become more pro-active in seeking out prospective development opportunities in the current positive resources investment climate.

Accordingly we are again implementing the Company's security purchase plan to raise funds to ensure these aims are met. Under the Plan, shareholders have an opportunity to purchase up to $5,000 value of shares without paying brokerage.

We will be offering for sale an additional 13.52% of the Company's ordinary shares at 1.7 cents per share. This is at a **6% discount** on the weighted average trading price for the five days prior to the announcement of the offer. We remind shareholders that this is strictly on a "first come first served" basis, and that previously some applicants have missed out due to high demand. Accordingly we recommend that shareholders apply as early as possible to avoid disappointment.

The Board is seeking underwriting of the Plan and, if finalised, this will ensure that funds are available for the aggressive exploration program proposed, and for working capital.

The Company proposes to drill a number of exploration holes at **Egerton**, seeking targets indicated by a review of the historical data available on the quartz reefs mined on the field over one hundred years ago. High gold grade intersections were a feature of these mines.

If the diamond test shaft at **Copeton** is successful, additional prospecting drives will be necessary to more fully evaluate the deposit. A diamond bearing horizon was located last year on the **Bingara** diamond field, and further testing of the potential of the field to contain a large diamond resource is warranted.

As well as the production activity at the **Ruby Mine**, the Company plans to continue the exploration program to locate primary sources for the Gloucester rubies, both around the area being mined at present, and throughout the surrounding region, where, if marketing by CPH Limited is agreed, Cluff will be entitled to an increased 50% of the net profits from marketing.

Yours faithfully,

P Kennewell

Peter Kennewell,
Managing Director

Registered Office
1/30 Leighton Place
Hornsby NSW 2077
Australia

Postal Address
Locked Bag 3355
Hornsby NSW 2077
Australia

Tele-Communications
Tel (612)9482 4655
Fax (612) 9482 4987
Internet www.cluff.com.au

SECURITY PURCHASE PLAN - APPLICATION FORM

CLUFF RESOURCES PACIFIC NL ABN 72 002 261 565

Record Date: 26 April 2006
Offer Closes: 2 June 2006
Purchase Price: 1.7 cents per share

SUB-REGISTER
HIN/SRN

A | Offer Choice and Payment Details

Indicate your choice below by ticking (✓) one box only

20,000 shares @ 1.7c = $340.00	50,000 shares @ 1.7c = $850.00	100,000 shares @ 1.7c = $1,700.00	150,000 shares @ 1.7c = $2,550.00	200,000 shares @ 1.7c = $3,400.00	294,117 shares @ 1.7c = $5,000.00

Record cheque details below

Drawer	Cheque No.	BSB Number	Account No.	Amount A$

PAYMENT INSTRUCTIONS:

- Only cheques or bank drafts in Australian dollars and drawn on a bank or financial institution in Australia will be accepted. Your cheque or bank draft must be made payable to **"Cluff Resources Pacific NL"**. Please ensure that you submit the correct amount. Incorrect payments may result in your application being rejected.
- Payments must be made via cheque accompanying the Application Form.
- Cash will not be accepted via the mail or at the Cluff Resources Pacific NL Share Registry.
- Payments cannot be made at any bank.

I HEREBY CERTIFY that this application for shares and any other application for shares under a similar arrangement in the 12 months prior to this application does not exceed $5000.

B | Contact Details - *(please complete)*

Please provide a telephone number and contact name in case we need to contact you regarding your application.

Home telephone number	Work telephone number	Contact name

C | Terms and Conditions of the Cluff Resources Pacific NL Security Purchase Plan

1. **This offer of shares under the Security Purchase Plan closes, subject to the Director's discretion, at 5.00 pm on Friday, 2nd June 2006.**
2. The Security Purchase Plan is available to all shareholders of the Company with addresses in Australia and other jurisdictions where this offer does not contravene local law ("Eligible Shareholders"). This offer shall be deemed not to have been made in jurisdictions where it contravenes local law.
3. The number of shares available for subscription under the Security Purchase Plan is limited to 13.52% of the shares on issue.
4. Applications from shareholders will be processed in order of receipt. We remind shareholders there have been cases previously where applicants have missed out due to high demand, and accordingly the Board recommends shareholders apply as early as possible to avoid disappointment.
5. Shares will be allotted by 9 June 2006, and application money will be deposited into a trust account and shall be refunded by the Company in the event that the applications are refused.
6. Eligible Shareholders agree to be bound by the Constitution of the Company, and may apply in multiples of shares from 20,000 ($340) up to a maximum of 294,117 ($5,000).
7. The purchase price of the shares is 1.7 cents per share, representing a 6% discount on the weighted average sale price for the last 5 Australian Stock Exchange (Sydney) trading days prior to the announcement.
8. Shareholders purchasing shares through the Security Purchase Plan will not be liable to pay brokerage.
9. Although the price offered was a substantial discount at the time of calculation, the shares in the Company are a speculative investment, and the share price may change from day to day, and during the course of this offer. There is a risk that the market price for the applied shares between the date of the offer and the date when the shares are issued to you pursuant to the plan may be less thus you may receive less value for such shares than your application price.
10. To accept this offer please complete the attached irrevocable application for shares and return it via the enclosed reply paid envelope to **Registries Limited, P.O.Box R67, Royal Exchange, Sydney, NSW, 1223 or Registries Limited, Level 2, 28 Margaret Street, Sydney, NSW, 1223, Australia** by the closing date, together with a cheque in Australian Dollars made payable to Cluff Resources Pacific NL.

A SIGNATURE IS REQUIRED ON THIS FORM **THIS OFFER IS NON-RENOUNCEABLE**

Signed by the Shareholder... **Print Name**...
Title, position or designation (if a company, please advise your name and designation (eg. director))... **Date**.............................