CLUFF RESOURCES PACIFIC NL
ABN 72 002 261 565
AND CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT

DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated entity for the half-year ended 30 June 2006.

Directors
The names of directors who held office during the half-year:

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

Consolidated Results
The consolidated loss of the consolidated entity after provision of income tax for the half-year was $1,061,981.

Review of Operations
During the course of the half year mining continued at the Glouster ruby mine under the terms of the agreement with CPH Limited. Over the period, just over 19,000 tonnes of gemstone bearing material were washed through the processing plant, which yielded over 191,000 carats of rough gemstone suitable for faceting or polishing to a smooth finish (cabochoning). Cutting operations kept pace with mining production, and marketing of the finished goods continued to gather momentum in overseas markets. Cluff is entitled to a 20% net profit share from sales.
At the Bingara Diamond Project, computer modelling of the data base of over one hundred drill holes was undertaken. Interpretation is still in progress, and the best targets determined for drilling and tunnelling or shaft sinking to evaluate the prospective zone, considered during the 1890s to be an unconventional "pipe" structure.
The sinking of the main access shaft at the Copeton Diamond Project, targeting an inferred resource of 500,000 carats of diamonds, was completed to a depth of 60 metres, and a horizontal drive commenced at 58 metres depth and driven northwards from the shaft base. Sampling of the basal sediments located above the drive was planned after the drive was extended to around 30 metres from the shaft.
A notable new project the Company entered during the half year was the Egerton Gold Project in Victoria. The Joint Venture, with Tech-Sol Resources Pty Ltd, enables Cluff to earn up to a 75% interest in EL 4574, MIN 5421 and EL 4844. Included in the project is an opportunity to earn profits from the processing of gold on MIN 4422 if Cluff chooses to participate. The cost of exercising the option has totalled $190,000, including option fee of $100,000, purchase of EL 4844 and a data package for $50,000, and agreed costs and technical studies during the option period totalling about $40,000. The initial requirement of the joint venture is for Cluff to spend $350,000 within two years to earn a 51% interest in the project. Cluff may then proceed to acquire a further 24% of the tenements by expending an additional $1.65 million. Tech-Sol Resources Pty Limited will be granted a 2.5% net smelter royalty from all gold production. Field geological mapping and planning for a drilling program is under way, with a final work program expected during the next half year.
There was no activity at the Queensland Sapphire Project, with all personnel focussed on the company's other projects.

Significant Changes in the State of Affairs

During the half-year the Company raised $441,500 via a security purchase plan, $750,000 via a non-brokered private placement of shares and options, and $200,000 from options exercised, totalling $1,391,500 in equity raisings during the half year.

Adoption of Australian Equivalents to IFRS

This interim financial report has been prepared under Australian Equivalents to IFRS.

Matters subsequent to the end of the half year

There are no matters to report subsequent to the end of the half year.

Auditor's Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 4 for the half year ended 30 June 2006.

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

PETER J KENNEWELL	SCOTT M ENDERBY
Director	Director

13 September 2006

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Martin Hager
Chartered Accountant

Suite 2
23A Station Street
Hornsby NSW 2077

13 September 2006

CLUFF RESOURCES PACIFIC NL
ABN 72 002 261 565
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION

The directors' of the company declare that:

1. The financial statements and notes:

   i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and

   ii) give a true and fair view of the economic entity's financial position as at 30 June 2006 and of its performance for the half-year ended on that date;

2. 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.

Made in accordance with a resolution of the Board of Directors.

PETER J KENNEWELL	SCOTT M ENDERBY
Director	Director

13 September 2006

CLUFF RESOURCES PACIFIC NL
ABN 72 002 261 565
AND CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2006

	Economic Entity		
	June 2006 $	December 2005 $	June 2005 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	968,796	838,962	821,316
Inventories	324,175	394,797	445,131
Trade and other receivables	419,223	515,915	170,735
TOTAL CURRENT ASSETS	1,712,194	1,749,674	1,437,182
NON CURRENT ASSETS			
Receivables	-	-	-
Other financial assets	-	-	-
Property, plant and equipment	990,600	704,118	717,143
Exploration, evaluation and pre-development expenditure	8,412,677	7,827,898	7,968,294
Development properties	2,355,405	2,396,671	2,447,305
TOTAL NON CURRENT ASSETS	11,758,682	10,928,687	11,132,742
TOTAL ASSETS	13,470,876	12,678,361	12,569,924
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	361,208	275,498	216,030
Provisions	116,314	69,030	58,428
TOTAL CURRENT LIABILITIES	477,522	344,528	274,458
NON CURRENT LIABILITITIES			
Long term borrowings	330,000	-	-
TOTAL NON CURRENT LIABILITIES	330,000	-	-
TOTAL LIABILITIES	807,522	344,528	274,458
NET ASSETS	**12,663,354**	**12,333,833**	**12,295,466**
EQUITY			
Issued capital	46,011,759	44,620,259	43,619,649
Reserves	108,516	108,516	108,516
Accumulated losses	-33,456,921	-32,394,942	-31,432,699
TOTAL EQUITY	**12,663,354**	**12,333,833**	**12,295,466**

The accompanying notes form part of these financial statements.

CLUFF RESOURCES PACIFIC NL
ABN 72 002 261 565
AND CONTROLLED ENTITIES
CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2006

	Note	Economic Entity June 2006 $	 June 2005 $
Sales revenue	3	341,247	210,948
Cost of sales		-594,316	-231,162
Gross profit		-253,069	-20,214
Other revenues	3	3,687	13,798
Distribution expenses		-15,628	-16,115
Marketing expenses		-14,716	-4,933
Occupancy expenses		-4,773	-21,821
Administrative expenses		-387,495	-336,024
Amortisation ruby mine		-58,315	-14,209
Inventories write-down		-60,524	-
Finance costs		-12,806	-
Debtors write-down		-76,000	-
Diamond exploration write-off		-24,778	-
Legal expenses		-58,168	-
Increase predevelopment provision		-45,123	-
Other expenses		-54,273	-45,789
Loss from ordinary activities before income tax expense	2	-1,061,981	-445,307
Income tax expense relating to ordinary activities		-	-
Total changes in equity other than those resulting from transactions with owners as owners		**-1,061,981**	**-445,307**
Basic earnings per share (cents per share)		(0.9) cents	(0.04) cents

The accompanying notes form part of these financial statements.

CLUFF RESOURCES PACIFIC NL
ABN 72 002 261 565
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2006

	ORDINARY SHARE CAPITAL **$**	ACCUMULATED LOSSES **$**	ASSET REVALUATION RESERVE **$**	TOTAL **$**
Balance at 1.7.05	43,619,649	-31,432,699	108,516	12,295,466
Shares issued during period	1,000,610			1,000,610
Loss attributable to members of parent entity		-962,243		-962,243
Balance at 31.12.05	44,620,259	-32,394,942	108,516	12,333,833
Balance at 1.1.06	44,620,259	-32,394,942	108,516	12,333,833
Shares issued during period	1,391,500			1,391,500
Loss attributable to members of parent entity		-1,061,979		-1,061,979
Balance 30.06.06	**46,011,759**	**-33,456,921**	**108,516**	**12,663,354**

The accompanying notes form part of these financial statements.

CLUFF RESOURCES PACIFIC NL
ABN 72 002 261 565
AND CONTROLLED ENTITIES
CONSOLIDATED CASH FLOWSTATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2006

	Economic Entity	
	June 2006 $	June 2005 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	341,247	210,948
Payments to suppliers and employees	-778,191	-469,419
Interest received	3,687	13,663
Finance costs	-12,806	-
Goods and services tax paid	-149,317	-122,225
Net operating cash flows	-595,380	-367,033
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and development	-611,931	-552,659
Payments for property, plant & equipment	-384,355	-219,978
Net investing cash flows	-996,286	-772,637
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,391,500	544,000
Proceeds from borrowings	330,000	-
Net financing cash flows	1,721,500	544,000
Net (decrease) / increase in cash	129,834	-595,670
Cash at 1 January 2006	838,962	1,416,986
Cash at 30 June 2006	968,796	821,316

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2006

Note 1: Basis of Preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001. Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 December 2005 and any public announcements made by Cluff Resources Pacific NL and its controlled entitles during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

As this is the first interim financial report prepared under Australian equivalents to IFRS, the accounting policies applied are inconsistent with those applied in the 31 December 2005 annual report as this report was presented under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under Australian equivalents to IFRS has been included below. No significant differences of equity and profit and loss between previous GAAP and Australian equivalents to IFRS have been recorded.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity Cluff Resources Pacific NL has the power to control the financial and operating policies of so as to obtain benefits from its activities.

All controlled entities have a December financial year-end.

All inter-company balances and transactions between entities in the economic 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.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

(b) Income lax

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

Deterred 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 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 on the assumption that no adverse change will occur in income taxation 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.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2%
Office furniture and equipment	25%
Plant and equipment	25%
Motor vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

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.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(e) 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 had 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. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(f) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the assets fair value less costs to sell and value in use, is compared to the asset carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

		Consolidated	
		2006	**2005**
		$	**$**
2)	**LOSS FROM ORDINARY ACTIVITIES**		
	The loss from ordinary activities before income tax has been determined after :		
	Depreciation of property, plant & equipment	84,850	62,599
	Auditor's remuneration:	-	-
	Audit	-	-
	Other	-	-
	Profit disposal of plant & equipment	-	-

3) **REVENUE**

Sales gems & jewellery sets	341,209	210,818
Interest received	3,687	13,798
Sundry	38	130
	344,934	224,746
Proceeds on disposal of fixed assets	-	-
Carrying amount of net assets disposed	-	-
Net gain on disposal	-	-
Total revenue	344,934	224,746

4. Going Concern

The Directors have prepared the half year financial report on the basis that the Company is a going concern. During the half year ended 30 June 2006, the company successfully raised $1,391,500 from share issues and the exercise of options. It is however, the Directors' intentions to continue to expand the company's operations to exploit and develop it's mining tenements. To achieve these plans the Directors may need to raise further capital from share placements and rights issues. Current cash reserves and cash from these raisings should be sufficient for the company to pay its debts as and when they fall due for the next twelve months if expenditures are controlled in line with 2005 and current year levels.

5. Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date.

6. Goods and Services Tax (GST)

Revenues, expenses and assets are recognized net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognized as part of the cost of acquisition of the asset or as part of an expense. Receivables and payables in the balance sheet are shown inclusive of GST.

7. Comparative Figures

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

Independent Review Report

To the Members of Cluff Resources Pacific NL:

Scope of Review

I have reviewed the financial report of Cluff Resources Pacific NL for the half-year ended 30 June 2006 as attached. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. I have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to my attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB134 Interim Financial Reporting, other mandatory professional reporting requirements and statutory requirements, in Australia, so as to present a view which is consistent with my understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission and Australian Stock Exchange Limited.

My review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review is limited primarily to inquiries of the company's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required if an audit was performed, thus the level of assurance is less than given in an audit. **I have not performed an audit, and accordingly, no expression of an audit opinion is given.**

Independence

In conducting my review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, I declare to the best of my knowledge and belief that the auditor's declaration has not changed as at the date of providing my review opinion.

Statement of Review

Based on my review, **which is not an audit**, I have not become aware of any matter that makes me believe that the half-year financial report of Cluff Resources Pacific NL is not in accordance with:

(a) the Corporations Act 2001, including:
   (i) given a true and fair view of the consolidated entity's financial position as at 30 June 2005 and of its performance for the half-year ended on that date; and
   (ii) complying with Accounting Standard AASB1029 "Half year accounts and consolidated accounts" and the Corporations Regulations; and

(b) other mandatory professional reporting requirements.

Martin Hager
Chartered Accountant

Sydney 13 September 2006