06 Annual Report

Cluff Resources Pacific NL

ABN 72 002 261 565

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 Comm
Director and Company Secretary

Peter Barrow, FCA, FAID
Director

Registered and Head Office

Unit 1, 30 Leighton Place
Hornsby NSW 2077
Telephone (02) 9482 4655
Facsimile (02) 9482 4987

Corporate Accountant

Martin Lord & Co
Chartered Accountants
23A Station Street
Hornsby NSW 2077
Telephone (02) 9477 7400

Solicitor

Ashlaw Legal Services
Suite 49 Level 1, 61-65 Glencoe Street
Sutherland NSW 2232
Telephone (02) 9521 4999
Facsimile (02) 9521 4644

Share Registry

Registries Limited
Level 2, 28 Margaret Street
Sydney NSW 2000
Telephone (02) 9290 9600
Facsimile (02) 9279 0664
www.registriesltd.com.au

Auditors

Martin J Hager
Suite 2, 23A Station Street
Hornsby NSW 2077

ASX Code : CFR

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholder,

Your Company is preparing to accelerate its exploration activities for base metals and gold. In order to facilitate this, Cluff has recently applied for exploration licences over several attractive tin exploration areas in New South Wales and is preparing to drill at the Egerton goldfield in Victoria. The Company intends to continue its assessment of its gemstone projects, and is actively seeking further opportunities in exploration and development projects with the above commodities.

Tin Exploration Projects.

The Company considers that tin, with recent price rises and relatively little near-term exploration, has become an attractive exploration/development commodity. Accordingly, applications for exploration licences have been lodged in March over four highly prospective areas.

The Ardlethan area surround the previous open pit and underground mine, which produced more than 27,000 tonnes of tin before its closure in 1986. A number of targets have already been identified, with drilling premised soon after the anticipated tenement grant.

Buddigower is a narrow-vein but very high grade silver and tin deposit with potential for the delineation of strike and depth extensions. Grades of up to 700 ounces of silver per tonne and 5.6% tin were reported from the previous shallow underground workings. The same licence application also covers the western West Wyalong reefs, which were the major gold producers on that field.

The Gibsonvale field yielded more than 7,000 tonnes of tin. The known deposits occur over a distance of 15 kilometres, providing an extensive exploration target.

The Leviathan area is adjacent to our Copeton diamond project, and covers several different groups of old alluvial and hard-rock mines.

Egerton Gold Project.

Not withstanding the recent disappointment experienced by some Victorian gold mining companies, Cluff remains confident that the Egerton targets are of serious potential and intends to progress with drilling its delineated targets.

Gloucester Ruby Project

The Gloucester Ruby Mine is currently on care-and-maintenance. The Company is evaluating alternative marketing scenarios following advice from Ellerston Gems Pty Ltd that it will relinquish its exclusive right to market the Gloucester gemstones. Subject to the outcome of this evaluation, Cluff will determine future development plans for the project.

Funding

The Company intends to advise you in the coming weeks of a capital raising, at which stage it will provide detailed information concerning the tin and gold exploration programs and budgets. A motion in the Notice of Meeting seeking to remove the limit on authorised capital is related to this capital raising, and its passage will be a necessary prerequisite for obtaining the required funds. ***Should you intend to vote by proxy at the Annual General Meeting, and subject to the timely issuance of the capital raising advice, I recommend that you do not complete and return the proxy form until you have read the information included with the capital raising advice.***

In Conclusion

The tin exploration potential adds an exciting dimension to the company's project. Along with the gold project at Egerton and the existing gemstone projects, a number of enticing exploration opportunities are available within our projects.

It will now be critical that the Company funds and progresses the exploration in an aggressive manner, in order to ensure that expenditure is effective. We look forward to your support in aspiring for this objective.

Again I would like to thank our staff and consultants for their efforts and unflagging tenacity in assisting the company to strive for achievement.

Yours faithfully,

Steve Gemell
Chairman

MANAGING DIRECTOR'S REPORT

TIN (Cluff 100%)

The Company has applied for four Exploration Licences over areas surrounding NSW's largest former tin producing mines. The areas applied for are known to contain formerly mined tin deposits, and their proximity to such world class tin deposits makes them exciting exploration targets for large orebodies. New geophysical technology has become available since the tin price was at former highs, and it is planned to utilise this technology to assist in the search for tin deposits, and to more closely define targets for drilling.

This initiative is in response to the recent substantial rise in the tin price from $US 6,000 per tonne in late 2005 to recent prices of over $US 14,000 per tonne. Such a rise has the potential to return formerly uneconomic hard rock tin deposits, and the surrounding alluvials, to economic status.

As the Chairman has foreshadowed, the Company intends to advise you in the coming weeks of a capital raising, at which stage it will provide detailed information concerning the tin and gold exploration programs and budgets.

EGERTON GOLD (Cluff earning up to 75% from Tech-Sol Pty Ltd)

A proposal for drilling beneath the Egerton Gold Mines to confirm the downward extension of the wide quartz reefs has been submitted to the Victorian Department of Primary industries for approval.

The proposed drilling and evaluation program will be carried out in stages, and is planned to ultimately consist of 56 drillholes, totalling 8,000 metres of RC percussion drilling, 6,000 metres of core drilling and 2,000 gold assays. The program will test a near surface target at the Mundic Lode Mine, and the Black Horse and Egerton Mines below a depth of 400 metres. It will also evaluate shallow zones recorded as gold bearing on continuations of the Muckleford Fault, which is the primary control on mineralisation in the district, and which localises gold bearing reefs and zones within the Egerton and Gordon goldfields.

Exploration targets totalling between 2.2 and 3.3 million tonnes of gold bearing quartz with grades between 3 and 12 grams/tonne were outlined below old workings of the Black Horse, the Egerton and the Mundic Lode Mines. This represents a total exploration target range of between 340,000 and 1,150,000 ounces of gold. It should be noted that potential quantity and grade of the targets is conceptual in nature, there has been insufficient exploration to define a Mineral Resource, and it is uncertain if further exploration will result in the determination of a Mineral Resource.

The exploration targets outlined are based on a review of previous mining and exploration data, which corrected the exploration grid, and locations of drill holes and mine shafts. It used this data to upgrade a three dimensional mine model incorporating the mines of the Egerton Goldfield, and concluded that the modelled mined out areas closely corresponded with the recorded production of 1.063 million tonnes, based on an average mining width of 3.5 metres. Relative locations of these targets are shown on the inside back page.

Black Horse Mine Exploration Target is below 380 metres depth and may contain recoverable gold within the continuation to depth of a previously mined ore shoot. Records for the Black Horse Mine suggest that significant areas within and close to the existing level development were not mined as they were considered to be low grade at the time.

The targeted ore shoot was partly developed from 380 to 600 metres depth by the Black Horse Shaft and by many development tunnels, but reports indicate that it was not extracted before the mine closed in the 1900s. A 3.5 metre mining width for this target has been assumed, based on this being the apparent average mining width in the past. Assuming the target continues downward for 200 metres from this old development, it would contain one million tonnes, and if it continued for 400 metres downward, it would form a target of 1.5 million tones of gold bearing quartz. Grade is inferred to be between 6 grams/ton, the lowest grade reported recovered from the mine, and 12 grams/ton (less than 16 grams/ton, the highest grade reported recovered).

A photograph taken within this exploration target in about 1903 shows a substantial reef. The caption describes the "Main Drive North on Lode, 1,760 ft level, Black Horse Shaft. Footwall Side of Lode Showing. Full width here exceeds 12 feet, and is good enough for bulk treatment" (Geological Survey of Victoria Bulletin No 10). Some parallel lodes were also noted and these were not mined in the past due to geotechnical considerations and are not included in the target.

The Egerton Mine Exploration Target consists of upward and downward extensions to a large stoping area, where mining widths of up to 30 m were recorded. Should the mined block extend downward to the developed level beneath (50 meters), and upward for the same distance, it would form a target of between 250,000 and 350,000 tonnes at a grade inferred to be between 6 grams/ton, the lowest grade reported recovered from the mine, and 12 grams/ton (less than 16 grams/ton, the highest grade reported recovered).

The Mundic Lode Exploration Target is a gold mineralised zone which is parallel to the Black Horse Lode but about 500 metres distant. It strikes to the north, dips steeply to the west, and is interpreted as plunging at a shallow angle to the north, manifesting at the surface as a number of old shafts and gold workings over a distance of over 500 metres.

This Exploration Target has been intersected by six exploration holes drilled by Western Mining Corporation during the 1980s, and these indicate that it is from four to six metres in true width, extends vertically for 250 metres, and longitudinally for at least 350 metres, giving a range of tonnage from one million tonnes to 1.5 million tonnes. One drill hole entered an old mine within the Exploration Target, indicating that at least some parts of it were at economic grade in the past.

Grade may range from 2.7 grams/tonne, the average of the above intersections, to 10 grams/tonne, the likely cut off grade for commercial production in the early 1900s. Thus the Exploration Target ranges from 90,000 ounces to 450,000 ounces of gold.

It should be noted that these reefs are in close proximity to the township of Mount Egerton, and any further evaluation of the potential resources by exploration or underground development will require consultation with the Mount Egerton community, in accordance with the recently released report for the Victorian Minister for Energy, Industries and Resources on recommendations of an inquiry into limitations on mining near residences and community facilities.

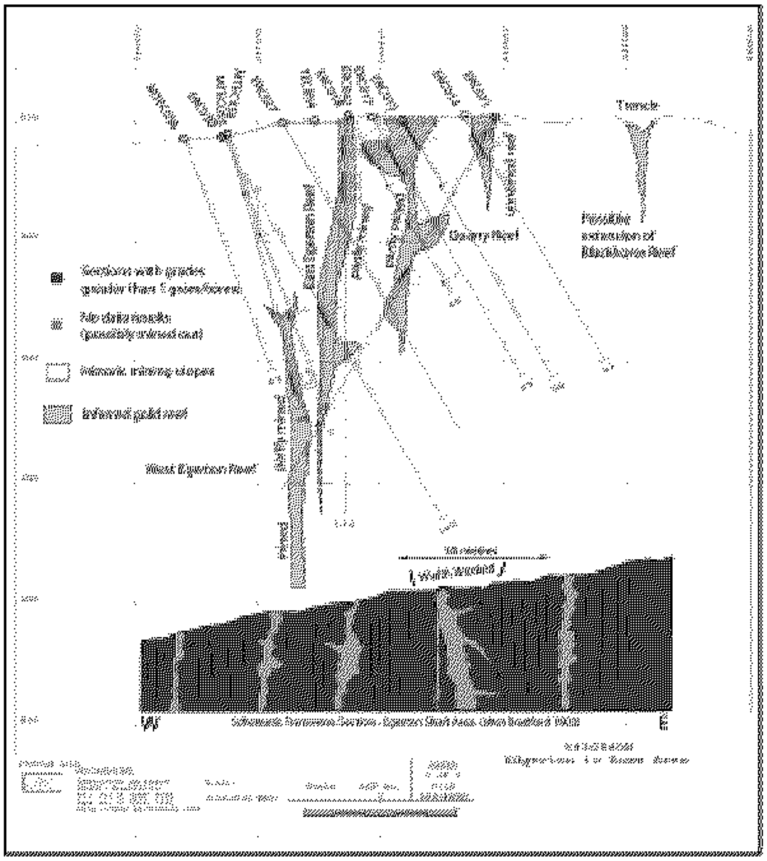
The near-surface **Quarry Reef** has been mapped at Mount Egerton, and has been defined by the Company's reinterpretation of reverse circulation drilling carried out in 1986 by WMC Resources Ltd, and in 1995 by St Barbara Mines Ltd. The reef is not included in the exploration target at present due to its proximity to the Mount Egerton township.

Previous drill intersections on one east-west section line through the Egerton series of reefs are shown below:

SECTION 5830880 N

Drill hole Number	From (metres)	To (metres)	Interval (metres)	True Thickness (metres)	Gold Grade	Company
MTEC 055	34	35	1	0.8	4.16 g/t	WMC
ERC 042	17	27	10	4.4	4.3 g/t	WMC
Includes	18	19	1	0.4	8.7 g/t	WMC
Includes	19	20	1	0.4	22.2 g/t	WMC
MTEC 055	62	64	2	1.6	35.9 g/t	WMC
Includes	63	64	1	0.8	70.0 g/t	WMC
MTEC 038	84	91	7	5.4	18.0 g/t	WMC
Includes	85	86	1	0.5	31.0 g/t	WMC
Includes	86	87	1	0.5	62.0 g/t	WMC
	91	96	Stope	2.5	Mined	WMC

Agreement between Cluff's interpretation of the Egerton gold reefs and that of the former miners is shown below, with the recent interpretation shown above the old records:



Geological Model

Geological consultant to the Egerton Gold Project, Dr Julian Hollis, has developed a geological model explaining the origin and mode of occurrence of gold on the Company's Egerton exploration tenements, and outlining similarities with the nearby Ballarat Goldfield, which has yielded 10.6 million ounces of gold in the past.

The Muckleford Fault, described below, appears to be comparable in nature to the Blue Whale Fault at Ballarat. This regional fracture underlies and appears to control gold mineralisation on the Ballarat Goldfield, and is considered by Ballarat Goldfields to be the path for gold bearing fluids. The gold, at both Egerton and Ballarat, appears to have been deposited in large, quartz filled fractures emanating from these regional scale fracture zones on which major rock movement has taken place. The extent of the fault and the mined quantities of gold localised by it are shown on the figure inside the back cover.

The goldfields form broadly arcuate zones arranged along a major fault zone (the Muckleford Fault). This zone extends from north-west of Castlemaine to a cut-off at the Bambra Fault, west of Geelong. The main goldfields north to south are Gordon, Mount Egerton, Mount Doran and Elaine. The Muckleford Fault, and similarly the associated gold mineralisation, is a major feature in Victorian geology.

Local geology is complicated by the Egerton Granite, a Devonian-age pluton that has probably enhanced gold mineralisation by remobilisation near its margins. Parts of the zone of interest for exploration are concealed beneath Newer Volcanics. Basalt lava flows between Gordon and Mount Egerton cover significant potential zones for gold mineralisation that should be targets for exploration.

Heavy mineral distribution over the exploration licence areas include rare occurrences of distinctive mineral grains indicating the probable presence of fault wedges of Cambrian rocks at as yet unlocated points on the Muckleford Fault.

It is highly probable that most of the gold in the region has been hydrothermally transported and redeposited from source rocks of Cambrian age. These older rocks include serpentinites generated from gold-bearing island arc volcanics, known to occur several kilometres beneath the region. This is illustrated in the figure inside the back cover.

Gold hosting regional rocks are turbidite sequences of tightly folded Ordovician rocks. The highest grades of mineralisation are structurally controlled and occur along quartz-mineralised shears, commonly involving dyke rocks and carbon-rich black slates.

There appear to have been at least 3 periods of hydrothermal solution activity, transporting gold.
Period 1: Immediately pre-granite with siliceous, aqueous fluids removing gold from prograde metamorphosed serpentinite (siliceous serpentinite derived from island arc volcanics, particularly boninite). The largest quartz reefs appear to belong to this stage.
Period 2: Epi to immediately post-granite redepositing gold, sometimes along secondary fractures in primary reefs, and
Period 3: During thermal activity associated with faulting and volcanism around 65 million years ago.

RUBIES (Cluff 100%)

Cluff has regained its 100% equity in the Gloucester Ruby Mine.

Consolidated Press Holdings Limited has terminated the Ellerston coloured stone concentrate agreement. They are happy to continue to work with Cluff in relation to negotiation of a sales contract for the cut and sorted run of mine gemstone to another party, together with sale of their stockpile of coloured gemstones.

Thus the project reverts 100% to Cluff. This gives Cluff the right to receive all profits from future production and sale of the gemstones.

Cluff Resources Pacific has obtained approval in principle from CPH to take over their gemstone cutting and sorting arrangements, and has approached international manufacturing jewellers with a view to negotiating a sales contract for the run of mine cut and sorted gemstone. All stone that is produced will be sold in the super premium part of the gemstone market.

The Company's application for an extension to Mining Area 11 was rejected at a meeting of Gloucester Shire Council, by a vote count of six to three. Accordingly the mine will be placed on care and maintenance from the end of March until this matter is resolved, and a contract can be negotiated with a long term purchaser of the stone.

The Company had hoped that its excellent environmental record at the mine since small-scale mining commenced in late 2004 would be considered by the Council in granting the extension, which would have enabled the continuation of mining in the high-grade area currently being developed.

The Company has over this period consistently complied with every consent authority condition, the terms of its Environmental Protection Licence, as well as its own stringent environmental targets. As such, the Company believes there was no valid scientific or environmental reason for the modification of consent to be rejected. This was further confirmed in a report by the Council's own Director of Planning and Environment which recommended the request for modification be approved. The Company believes that the reasons for rejection given by the Councillors were primarily politically motivated, and as such will be reviewing its options to appeal the decision to the Land and Environment Court.

The Board does not feel that further mining expenditure is warranted until the Development Application is approved. The existing Development Consent for the Ruby Mine is still current, however, with the Company able to continue mining in the previously-approved Mining Areas 11, 2A and 4.

The Company was very pleased to report the finding of one of the largest gem quality pink sapphires ever found in Australia in our mine. The discovery of the 19.37 carat gemstone was quite remarkable, given that the pit area from which it was recovered has to date not yielded any other gemstones of this size. The stone is shown inside the back cover of this report. It measures approximately 17mm long, 15mm across and 9mm thick. It is a natural deep pink colour, displays exceptional clarity and appears to have very few internal flaws or inclusions.

The gemstone was consigned to the offices of Ellerston Gems in New York, where it was evaluated by world class gem cutters and gemstone experts as to the best cutting program in order to maximise its value. Cluff retains 50% interest in the stone: until the stone is faceted and the final weight known, it is very difficult to accurately assess its value.

The Company is currently discussing with CPH Limited how to obtain the maximum possible value from the marketing of this unique natural gemstone, and looks forward to the possibility that there are more stones of this size and quality still to be found at the Ruby Mine.

Production of rubies to March 2006 was reported in last years' annual report. Production was successfully raised to budgeted levels during the year as shown in the table below:

Ruby Mine Throughput and Gemstone Production April 2006-December 2006				
Month	**Tonnes Washed**	**Facet Quality Ruby and Sapphire**	**Cabochon Quality Ruby and Sapphire**	**TOTAL**
		Rough carats	Rough carats	Rough carats
April	4,414	41,167	17,656	58,823
May	3,695	18,105	8,868	26,973
June	4,141	35,198	15,322	50,520
July	2,977	28,876	23,518	52,394
August	4,594	39,967	21,132	61,099
September	3,280	27,502	9,840	37,342
October	5,904	49,004	25,387	74,391
November	5,333	41,598	14,399	55,997
December	4,044	36,395	7,279	43,674
TOTALS	**38,382**	**317,812**	**143,401**	**461,213**

During December mine personnel gathered seeds from the native grasses on the mine site, which will be used for reseeding rehabilitated mining areas. Since operations resumed during January, activity has mainly focused on the rehabilitation and regeneration of vegetation over mined areas.

In August, the third Community Environmental Monitoring Consultative Committee (CEMCC) Meeting was held onsite at the ruby mine. These meetings are a requirement of the Development Consent Authority, and are held twice-yearly. The intention is to provide all members of the consent authority, as well as community representatives from both Gloucester and Upper Hunter Shire Councils, the opportunity to assess the ongoing compliance of the mine with all required environmental and operational parameters.

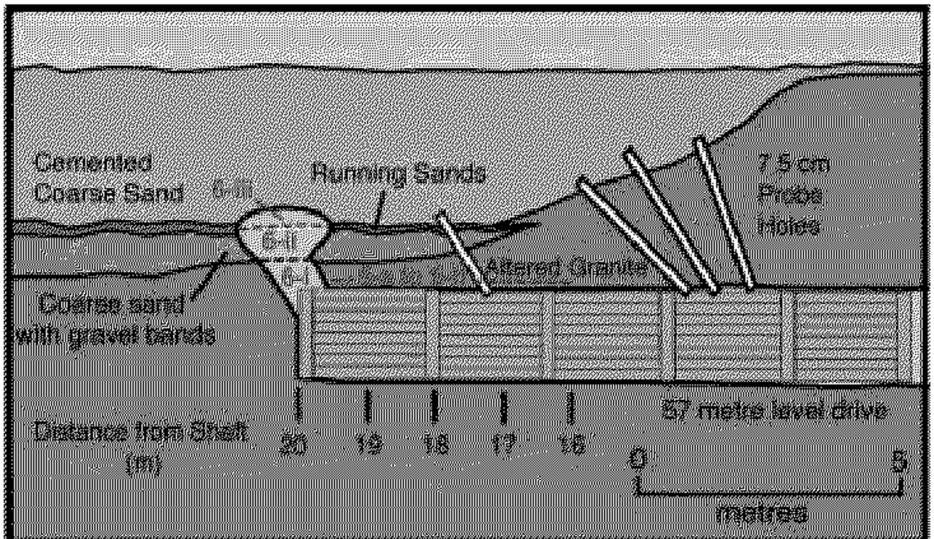
The main findings of the CEMCC included:

- The ruby mine has, and continues to have, negligible effects on the local environment.
- There are no measurable impacts on the local groundwater or river quality despite exploration and mining operations being established in the area for over 5 years.
- Rehabilitation of disturbed areas has been performed professionally, and with attention to ensuring that regeneration of the native and introduced plant species on the altered grazing land upon which mining activities are currently being conducted is successful.
- All water containment and recycling facilities were being maintained to the required standards.
- Mining and processing areas were suitably surrounded with silt fencing and bunding in order to prevent the possibility of any runoff affecting river turbidity.

River turbidity monitoring indicated no turbidity events caused by mining activities in the previous 6 months. In fact, there have been no measurable turbidity events attributed to the mining operations since continuous monitoring commenced 2 years ago. All chemical parameters from the laboratory samples of groundwater recorded less than guideline values. Based on these results, the groundwater was in pristine condition, and mining appeared to have had no impact on the quality of groundwater. The Company will continue to ensure that these high standards are maintained.

COPETON DIAMONDS (Cluff 100%)

Samples taken from the tunnel extending from the Copeton Shaft did not yield significant diamonds. Two representative samples were taken from a rise at the end of the tunnel, totalling ten tonnes of sands and gravels. Non systematic samples totalling an additional 118 tonnes, dominantly of granite collapsed from the roof with contamination from sands from unknown sources, were also mucked out from the tunnel and processed, yielding one diamond weighing 0.35 carats.



Cluff Resources Pacific NL - Copeton Shaft Sampling Locations

It is obvious that hot springs sediments, the target of the sampling, are not present at the end of the tunnel, but have been removed at this point by erosion caused by a river system which has transported barren sands from elsewhere in the district.

Further tunnelling has been terminated until a comprehensive review of the diamond project, incorporating the newly obtained data, is carried out. The proximity of non eroded hot spring sediment targets is critical to further work, and is being considered. The sampling has made it obvious that waterworn gravels, in which the diamonds are reported as occurring (Pittman in "The Mineral Resources of NSW", 1901) are not a target.

The review of the project will also seek primary sources at Copeton similar to those identified at Staggy Creek in reconstituted granite, at Oakey Creek in diabase in Pike and O'Donnell's Mine, and in volcanic breccia at Ruby Hill. The potential location, scale and economics of such new targets will be assessed.

Cluff's shaft and tunnel give previously unavailable access to a key area known to host high grade diamond deposits within the Copeton structure. We have a very experienced and hard working mining crew available, and now understand the costs and conditions of operating underground at Copeton. Once the review is complete, other parties will be invited to join Cluff in using this advantage to seek a local and non alluvial source for the Copeton diamonds.

The sinking and tunnelling of the Copeton Diamond Shaft recommenced in February 2006, and involved installation of the ladder way and shaft haulage equipment, and driving of a 2 metre by 2 metre tunnel for 20 metres in granite below the sediments. Installation of rail within the tunnel was completed, and a bogger (compressed air driven excavator) and skip (rail car) made operative underground. A one tonne kibble (haulage bin) was installed on rails within the shaft, which is now capable of hauling at a rate of several tens of thousand tonnes per year.

Probe holes were drilled into the roof of the tunnel to determine the thickness and profile of granite above (see figure). These showed that the basement contact had lowered steeply to about one metre above the tunnel at its end. As anticipated, the gravel filled depression was saturated with water, and the probe holes were used to drain them, initially at ten litres per second, but with a decreasing flow rate. Dewatering of this depression took only several days.

As the target zone dipped more steeply than anticipated, the thin granite roof of the tunnel fractured due to blasting, resulting in significant changes in mining conditions. This necessitated termination of the tunnelling contract, and design, planning and purchase of materials for an alternative style of mining using timber supports, due to the broken granite roof. The company employed its own underground crew of four men, led by an operator

with four years experience working underground at Copeton. The crew worked under the supervision of our Operations Manager, Don Crowe, an experienced mining engineer. The head frame was leased from the previous contractor.

The Copeton Diamond Shaft continues under care and maintenance pending further interpretation of our results to date. Rehabilitation was undertaken at several areas previously excavated by the Company on the south end of Mount Ross, and grasses and trees were planted at the Staggy Creek exploration site.

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

In preparation for a drilling program and subsequent driving of a tunnel at Bingara, computer modelling of the data base of over one hundred historical drill holes have been completed. 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.

Regeneration of the Monte Christo former mine area was carried out, with seeding with native grasses and planting of over a hundred Kurrajong and Box trees.

QUEENSLAND SAPPHIRE PROJECT (Cluff 100%)

There was no activity at the Sapphire Project during the Year. The Company's D9 bulldozer and one of its 25 tonne excavators were transported from Queensland to Inverell workshop for maintenance, and subsequently utilized in restoration of several diamond pits.

The information in this report that relates to exploration targets and exploration results is based on information compiled by Peter John Kennewell, who is a corporate member of the Australasian Institute of Mining and Metallurgy included in a list promulgated by the ASX from time to time. Peter John Kennewell is a full time employee of Cluff Resources Pacific NL and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a competent person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Identified Mineral Resources, and Ore Reserves". Peter John Kennewell consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Dr. Julian Hollis is an independent consultant geologist with over thirty years experience in the field of minerals exploration. His geological qualifications comprise BSc(Hons) and PhD from Kings College, University of London. He is a member of the Geological Society of Australia, the Royal Society of Victoria and an honorary Research Associate at the Melbourne Museum and the Australian Museum, Sydney. He has published extensively in the fields of mineralogy and petrology and has run University courses in geology.

SCHEDULE OF TENEMENTS (as at 29 March 2007)

Permit/Licence Area	Name & Location	Economic Entity Interest
TIN EXPLORATION		
ELA 3035	Ardlethan, NSW	100%
ELA 3036	Gibsonvale Tin Field, NSW	100%
ELA 3037	Inverell, NSW	100%
ELA 3049	Buddigower Tin Field, NSW	100%
DIAMOND EXPLORATION AND DEVELOPMENT		
EL 3325	Bingara Central, NSW	100% (see Note 1)
MC 194	Monte Christo, NSW	100%
EL 6073	Copeton Central, NSW	100%
ML 1058	Mount Ross, Copeton, NSW	100%
ML 1059	Mount Ross, Copeton, NSW	100%
ML 1083	Mount Ross, Copeton, NSW	100%
ML 5904	Mount Ross, Copeton, NSW	100%
ML 6153	Malacca, Copeton, NSW	100%
ML 1232	Collas Hill, Copeton, NSW	100%
RUBY EXPLORATION		
EL 5336	Barrington Tops, Gummi, NSW	100%
EL 6541	Gloucester, NSW	100%
GOLD EXPLORATION AND DEVELOPMENT		
EL 4844	Gordon-Egerton Goldfields, Victoria	NIL (see Note 2)
EL 4574	Gordon-Egerton Goldfields, Victoria	NIL (see Note 2)
MIN 5421	Gordon-Egerton Goldfields, Victoria	NIL (see Note 2)
MIN 4422	Gordon-Egerton Goldfields, Victoria	NIL (see Note 2)
SAPPHIRE MINING		
ML 70022	Sapphire, Queensland	100%
ML 70048	Sapphire, Queensland	100%
ML 7232	Sapphire, Queensland	100%
ML 70358	Sapphire, Queensland	100%
ML 70133	Sapphire, Queensland	100%
ML 70066	Sapphire, Queensland	100%
ML 70094	Sapphire, Queensland	100%
ML 70095	Sapphire, Queensland	100%
ML 70096	Sapphire, Queensland	100%
RESIDUAL INTERESTS		
PEL 27	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.

Note 2 – EL 4844 is held under the Company's name as a nominee for Tech-Sol Resources. Other leases are held 100% by Tech-Sol Resources, with the Company earning 51% equity upon spending $350,000 on exploration, increasing to 75% upon expenditure of a further $1,650,000 on exploration.

DIRECTORS' REPORT

The directors of Cluff Resources Pacific NL present their report on the Company and its controlled entities for the financial year ended 31 December 2006.

Directors
The names of 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	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 economic entity during the course of the financial year were the prospecting for, and mining and marketing of, diamonds, rubies and sapphires. The Company announced plans to explore for gold in Victoria, with the relevant approvals for exploration activities yet to be granted at the date of this report. The major geographic emphasis was the mining of ruby prospects and the evaluation of diamond prospects in northern New South Wales. 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 $ 1,935,847 (2005: $1,407,547).

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 2006.

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 $1,391,500 from share issues (2005: $1,544,610). This has enabled the continuation of exploration and 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 21 February 2007 the Company announced that a request for a Modification of Development Consent for a small extension of a mining area at its Ruby Mine was refused by the Gloucester Shire Council.

On 7 March 2007 the Company announced that it was intending to move into tin exploration, and had applied for exploration licences over some of the most prospective areas in NSW – the Ardlethan Tin Field, the Gibsonvale Tin Field and the Leviathan/Elsmore Tin Field. The move was prompted mainly by tin prices reaching 20 year highs of over USD13,000 per tonne.

On 14 March 2007 the Company announced that it had regained 100% equity in its ruby mine and gemstone marketing, following the termination of the coloured stone concentrate supply agreement with CPH Limited. The project was placed on a care and maintenance basis pending the signing of a new supply contract, and the outcome of an appeal regarding the application for a mining area extension.

Apart from those matters mentioned above, there is at the date of this report no matter or circumstance which has arisen since 31 December 2006 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 2006.

Likely developments and expected results of operations
In 2007 the consolidated entity intends to focus its activities on developing its tin prospects in New South Wales and on gold exploration in Victoria. Ruby and sapphire mining is intended to recommence when future economics may be determined and appropriate legal outcomes secured. 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 2006.

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 30 years experience in the mining industry, both in Australia and overseas. He has previously held senior operating roles and executive and non-executive directorships in ASX-listed mining companies and unlisted mine operators or joint venturers.

In the past three years he has held directorships in the following public companies: Allstate Explorations (Current); Central West Gold Mines NL (Chairman, until 2006); and Uranium Exploration Australia Limited (Current).

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	416,666 shares 500,000 employee options

Mr Enderby joined the Board in 1996, and has brought his marketing expertise to the various projects the Company has been involved with over the past 10 years.

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	-	-	6,502	35,446	426	42,374
Peter J Kennewell	120,400	43,456	-	-	-	163,856
Scott M Enderby	73,890	6,612	-	-	-	80,502
Peter F Barrow	-	-	-	25,000	-	25,000
						311,732

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 2006 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 KENNEWELL
Director

Hornsby NSW
29 March 2007

BALANCE SHEET
AS AT 31 DECEMBER 2006

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	5	406,460	838,962	344,935	769,775
Trade and other receivables	6	149,262	515,915	71,891	89,740
Inventories	7	325,024	394,797	157,253	158,200
TOTAL CURRENT ASSETS		880,746	1, 749,674	574,079	1, 017,715
NON-CURRENT ASSETS					
Trade and other receivables	8	-	-	4,013,073	3,934,877
Financial assets	9	-	-	-	-
Property, plant & equipment	10	897,163	704,118	897,163	704,118
Exploration, evaluation and pre-development expenditure	11	8,601,688	7,827,898	6,748,959	5,986,216
Development properties	12	2,301,284	2,396,671	-	-
TOTAL NON-CURRENT ASSETS		11,800,135	10,928,687	11,659,195	10,625,211
TOTAL ASSETS		12,680,881	12,678,361	12,233,274	11,642,926
CURRENT LIABILITIES					
Trade and other payables	13	425,519	275,498	306,982	214,228
Short-term provisions	14	135,876	69,030	44,959	35,602
TOTAL CURRENT LIABILITIES		561,395	344,528	351,941	249,830
NON-CURRENT LIABILITIES					
Long-term borrowings	15	330,000	-	330,000	-
TOTAL NON-CURRENT LIABILITIES		330,000	-	330,000	-
TOTAL LIABILITIES		891,395	344,528	681,941	249,830
NET ASSETS		**11,789,486**	**12,333,833**	**11,551,333**	**11,393,096**
EQUITY					
Issued capital	16	46,011,759	44,620,259	46,011,759	44,620,259
Reserves	17	108,516	108,516	108,516	108,516
Accumulated losses	2	(34,330,789)	(32,394,942)	(34,568,942)	(33,335,679)
TOTAL EQUITY		**11,789,486**	**12,333,833**	**11,551,333**	**11,393,096**

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

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

		Economic Entity		Parent Entity	
		2006	**2005**	**2006**	**2005**
	Note	**$**	**$**	**$**	**$**
Sales revenue	3	891,232	866,046	6,378	14,618
Cost of sales		(1,164,383)	(712,497)	(3,742)	(9,960)
Gross profit		(273,151)	153,549	2,636	4,658
Other revenues	3	21,315	38,372	21,291	38,348
Distribution expenses		(35,215)	(32,410)	(35,215)	(32,410)
Marketing expenses		(30,811)	(7,783)	(30,811)	(7,783)
Occupancy expenses		(15,892)	(44,443)	(15,892)	(44,443)
Administrative expenses		(827,119)	(746,852)	(604,196)	(646,378)
Borrowing costs		(21,317)	-	(21,317)	-
Other expenses		(227,090)	(140,690)	(198,319)	(114,560)
Exploration and pre-development		(526,567)	(627,290)	(351,440)	(430,442)
Loss before income tax	2	(1,935,847)	(1,407,547)	(1,233,263)	(1,233,010)
Income tax expense		-	-	-	-
Profit for year		**(1,935,847)**	**(1,407,547)**	**(1,233,263)**	**(1,233,010)**
Basic earnings per share	17	(0.19)	(0.15)		

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

		Economic Entity			Parent Entity		
		Issued Capital	Retained Earnings	Asset Revaluation Reserve	Issued Capital	Retained Earnings	Asset Revaluation Reserve
	Note	$	$	$	$	$	$
Balance as at 1 January 2005		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
Shares issued during year		1,391,500			1,391,500		
Loss attributable to members			(1,935,847)			(1,233,263)	
Balance as at 31 December 2006		**46,011,759**	**(34,330,789)**	**108,516**	**46,011,759**	**(34,568,942)**	**108,516**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Consolidated 2006 $	Entity 2005 $	Parent 2006 $	Entity 2005 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		905,532	434,357	20,678	14,618
Payments to suppliers and employees		(1,347,794)	(1,131,767)	(443,465)	(464,785)
Interest received		7,015	18,741	6,991	18,717
Borrowing costs		(21,317)	-	(21,317)	-
Goods and services tax paid		(185,328)	(235,009)	(277,057)	(234,113)
Net operating cash flows	22(b)	(641,892)	(913,678)	(714,170)	(665,563)
CASH FLOWS FROM INVESTING ACTIVITIES					
Exploration and development expenditure		(1,123,695)	(927,039)	(1,093,432)	(704,190)
Payments for property, plant & equipment		(388,415)	(302,826)	(388,415)	(302,826)
Proceeds from sale of property, plant & equipment		-	20,909	-	20,909
Loans to controlled entities		-	-	49,677	(474,218)
Net investing cash flows		(1,512,110)	(1,208,956)	(1,432,170)	(1,460,325)
CASH FLOWS FROM FINANCING ACTIVITIES					
Allotted share proceeds		1,391,500	1,544,610	1,391,500	1,544,610
Unallotted share proceeds		-	-	-	-
Receipt of bank loan		330,000	-	330,000	-
Net financing cash flows		1,721,500	1,544,610	1,721,500	1,544,61 0
Net (decrease) / increase in cash held		(432,502)	(578,024)	(424,840)	(581,278)
Cash at the beginning of the year		838,962	1,416,986	769,775	1,351,05 3
Cash at the end of the year	22(a)	**406,460**	**838,962**	**344,935**	**769,775**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

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, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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 report 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

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

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 Cluff Resources Pacific NL has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 9 to the financial statements. 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.

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 economic 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 the rate of depletion of the economically recoverable reserves.

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 2006. 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.

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:

		Economic Entity		Parent Entity	
		2006	2005	2006	2005
	Note	$	$	$	$
Depreciation of property, plant & equipment		174,619	143,030	46,746	58,203
Auditors' remuneration					
- Audit		20,000	20,000	12,000	13,000
- Other		-	-	-	-
Write-off of exploration expenditure on surrender of tenement	11	5,498	-	-	-
Write down of inventories to net realisable value		60,524	33,637	-	33,637
Provision for write-down of pre-development expenditure		285,492	491,583	279,994	396,805
(Profit)/Loss on disposal of property, plant and equipment		-	(19,501)	-	(19,501)

3. REVENUE

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Operating activities				
Sales of gemstones & jewellery sets	891,232	866,046	6,378	14,618
Other revenue:				
Interest received or receivable - other corporations	7,015	18,741	6,991	18,717
Profit/(Loss) on disposal of property, plant and equipment	-	19,501	-	19,501
Sundry	14,300	130	14,300	130
	21,315	38,372	21,291	38,348
Total revenue	912,547	904,418	27,669	52,966

4. INCOME TAX

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Reconciliation of prima facie income tax:				
Loss from ordinary activities before income tax	(1,935,847)	(1,407,547)	(1,233,263)	(1,233,010)
Prima facie income tax on operating loss at 30%	(580,754)	(422,264)	(369,979)	(369,903)
Tax effect of adjustments to derive income tax expense:				
Timing differences - provisions	170,364	178,095	105,432	119,041
Exploration and pre-development expenditure	(320,736)	(214,137)	(306,596)	(216,682)
Income tax effect of current year tax loss not brought to account	(731,126)	(458,306)	(571,143)	(467,544)
Income tax credit	-	-	-	-

The consolidated entity has unconfirmed carry forward tax losses, calculated according to Australian income tax legislation, estimated at $27,900,000 (2005 - $25,465,000), 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

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Cash at bank and in hand	70,474	514,000	69,818	509,658
Bank short-term deposits	122,937	127,782	122,937	122,937
Other short-term deposits	213,049	197,180	152,180	137,180
Total cash and cash equivalents	406,460	838,962	344,935	769,775

The effective interest rate on short-term bank deposits was 5.7% (2005 - 5.3%); these deposits have an average maturity of 360 days.

6. RECEIVABLES

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
CURRENT				
Trade receivables	137,413	464,736	18,939	22,160
Other receivables	11,849	51,179	52,952	67,580
	149,262	515,915	71,891	89,740
Provision for impairment	-	-	-	-
Net receivables	149,262	515,915	71,891	89,740

7. INVENTORIES

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
CURRENT				
At net realisable value				
Stock on hand–uncut loose gems	100,771	169,275	76,555	76,555
Stock on hand – cut loose gems	188,931	189,373	45,376	45,496
Stock on hand – jewellery	35,322	36,149	35,322	36,149
Total inventories	325,024	394,797	157,253	158,200

8. RECEIVABLES

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
NON-CURRENT				
Receivable from wholly owned subsidiaries	-	-	8,193,129	8,114,933
Provision for impairment	-	-	(4,180,056)	(4,180,056)
Net receivables	-	-	4,013,073	3,934,877

9. OTHER FINANCIAL ASSETS

Investments in controlled entities

	Parent Entity	
	2006	**2005**
	$	**$**
Shares in controlled entities, at cost	746,021	746,021
Provision for impairment	(746,021)	(746,021)
Shares in controlled entities, net	-	-

The following were controlled entities at or during the year ended 31 December 2006 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
Egerton Gold Pty Limited	100	New South Wales, Aust

10. PROPERTY, PLANT AND EQUIPMENT

	Economic Entity		Parent Entity	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
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	-	-	-	-

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Office furniture and equipment, at cost				
Opening balance	107,561	100,958	107,561	100,958
Additions	6,072	6,603	6,072	6,603
Disposals	-	-	-	-
Closing balance	113,633	107,561	113,633	107,561
Accumulated depreciation				
Opening balance	(92,898)	(85,201)	(92,898)	(85,201)
Depreciation for year	(6,746)	(7,697)	(6,746)	(7,697)
Disposals	-	-	-	-
Closing balance	(99,644)	(92,898)	(99,644)	(92,898)
Net book value	13,989	14,663	13,989	14,663
Motor vehicles, at deemed cost				
Opening balance	22,938	35,564	22,938	35,564
Additions	-	-	-	-
Disposals	-	(12,626)	-	(12,626)
Closing balance	22,938	22,938	22,938	22,938
Accumulated depreciation				
Opening balance	(22,938)	(35,564)	(22,938)	(35,564)
Depreciation for year	-	-	-	-
Disposals	-	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	327,779	327,779	327,779
Additions	-	-	-	-
Disposals	-	-	-	-
Closing balance	327,779	327,779	327,779	327,779
Accumulated depreciation				
Opening balance	(212,223)	(167,668)	(212,223)	(167,668)
Depreciation for year	(43,588)	(44,555)	(43,588)	(44,555)
Disposals	-	-	-	-
Closing balance	(255,811)	(212,223)	(255,811)	(212,223)
Net book value	71,968	115,556	71,968	115,556

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Plant and equipment, at cost				
Opening balance	1,258,362	993,633	1,258,362	993,633
Additions	25,491	296,022	25,491	296,022
Disposals	-	(31,293)	-	(31,293)
Closing balance	1,283,853	1,258,362	1,283,853	1,258,362
Accumulated depreciation				
Opening balance	(823,563)	(744,585)	(823,563)	(744,585)
Depreciation for year	(145,036)	(108,863)	(145,036)	(108,863)
Disposals	-	29,885	-	29,885
Closing balance	(968,599)	(823,563)	(968,599)	(823,563)
Net book value	315,254	434,799	315,254	434,799
Plant and equipment, at deemed cost				
Opening balance	541,978	541,978	541,978	541,978
Additions	-	-	-	-
Disposals	-	-	-	-
Closing balance	541,978	541,978	541,978	541,978
Accumulated depreciation				
Opening balance	(541,978)	(541,978)	(541,978)	(541,978)
Depreciation for year	-	-	-	-
Disposals	-	-	-	-
Closing balance	(541,978)	(541,978)	(541,978)	(541,978)
Net book value	-	-	-	-
Land and buildings, at cost				
Opening balance	139,100	138,900	139,100	138,900
Additions	356,853	200	356,853	200
Disposals	-	-	-	-
Closing balance	495,953	139,100	495,953	139,100
Accumulated Depreciation				
Opening balance	-	-	-	-
Depreciation for year	-	-	-	-
Disposals	-	-	-	-
Closing balance	-	-	-	-
Net book value	495,953	139,100	495,953	139,100
Total property, plant & equipment				
- at deemed cost	573,204	573,204	573,204	573,204
- at cost	2,221,218	1,832,803	2,221,218	1,832,803
Total Accumulated depreciation	(1,897,259)	(1,701,889)	(1,897,259)	(1,701,889)
Property, plant & equipment	897,163	704,118	897,163	704,118

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

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Exploration and evaluation				
Cost:				
Expenditure brought forward	1,139,443	943,499	253,541	253,541
Less: transfer to pre-development	-	-	-	-
Add: expenditure for year	335,427	195,944	307,510	-
Less: expenditure written off on areas relinquished	-	-	-	-
	1,474,870	1,139,443	561,051	253,541
Provision for impairment:				
Provision brought forward	602	602	-	-
Add: Increase during year	-	-	-	-
	602	602	-	-
Exploration and evaluation, net	1,474,268	1,138,841	561,051	253,541
Pre-development				
Cost:				
Expenditure brought forward	8,423,415	7,709,625	6,129,480	5,407,205
Add: transfer from exploration and evaluation	-	-	-	-
Add: expenditure for year	723,855	713,790	735,227	722,275
Less: transfer to development properties	-	-	-	-
	9,147,270	8,423,415	6,864,707	6,129,480
Provision for impairment:				
Provision brought forward	1,734,358	1,242,765	396,805	-
Add: Increase during year	285,492	491,593	279,994	396,805
	2,019,850	1,734,358	676,799	396,805
Pre-development, net	7,127,420	6,689,057	6,187,908	5,732,675
Total exploration, evaluation and pre-development, net	8,601,688	7,827,898	6,748,959	5,986,216

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

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Development properties				
Cost:				
Expenditure brought forward	2,396,671	2,463,341	-	-
Add: expenditure for year	19,216	24,400	-	-
Less: production amortisation	(109,105)	(91,070)	-	-
	2,306,782	2,396,671	-	-
Provision for impairment:				
Provision brought forward	-	-	-	-
Add: Increase during year	5,498	-	-	-
	5,498	-	-	-
Total development properties, net	2,301,284	2,396,671	-	-

13. PAYABLES

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
CURRENT				
Unsecured				
Trade creditors	158,818	170,179	158,817	158,414
Accrued expenses	266,701	105,319	148,165	55,814
Total payables	425,519	275,498	306,982	214,228

14. PROVISIONS

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
CURRENT				
Rehabilitation of mining properties	85,923	58,428	25,000	25,000
Annual Leave	49,953	10,602	19,959	10,602
Total provisions	135,876	69,030	44,959	35,602

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 $406,460 for the consolidated entity (2005 – $838,962) are cash deposits of $208,180 (2005 - $197,180) held by the NSW Department of Mineral Resources as security against rehabilitation of mining properties.

15. LONG-TERM BORROWINGS

	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Bank Loan	330,000	-	330,000	-

The bank loan is secured by registered first mortgage over the company's head offices at Hornsby and commercial property at Inverell, and a letter of offset over term deposits held by the company with the bank for $122,937

The bank loan is for a term of ten years and expires on 22 December 2015. Repayments are interest only for 3 years and principal and interest thereafter to repay the loan over the remaining term of seven year.

16. CONTRIBUTED CAPITAL

	2006 Number of shares	2006 $	2005 Number of shares	2005 $
Issued capital fully paid				
At the beginning of the year	1,033,983,566	44,520,259	916,650,233	42,975,650
Issued during the year (a)	88,833,238	1,391,500	117,333,333	1,544,609
On issue at the end of the year	1,122,816,804	45,911,759	1,033,983,566	44,520,259
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	1,196,541,132	46,011,759	1,107,707,894	44,620,259

During the year, a total of 88,833,238 (2005 –117,333,333) fully paid listed shares were issued to provide an increase in working capital and funds for the carrying out the Company's exploration and mining program.

17. RESERVES

	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Asset revaluation reserve	108,516	108,516	108,516	108,516

18. EARNINGS PER SHARE

	Economic Entity	
	2006	**2005**
Basic earnings per share	Cents	Cents
(cents per share)	(0.19)	(0.15)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,010,354,543	948,080,782

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.

19. 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.

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, 2006 amounted to $115,000 for the consolidated entity (2005 - $115,000) and $Nil for the parent entity (2005 - $Nil). Included in Cash and cash equivalents of $406,460 for the consolidated entity (2005 - $838,962) are short term deposits of $4,869 (2005 - $4,845) 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 $406,460 for the consolidated entity (2005 - $838,962) are short term deposits of $335,986 (2005 - $324,962).

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:

$	2006	2005
20,000 - 29,999	1	1
40,000 - 49,999	1	1
80,000 - 89,999	1	1
90,000 - 99,999	0	0
110,000 - 119,999	0	0
120,000 - 129,999	0	1
160,000 - 169,999	1	0

The aggregate remuneration of the directors referred to in the above bands is $311,732 (2005 - $261,394).

Superannuation Commitments

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

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

	2006	2005
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	8,851,682	9,411,682
Employee ordinary share options	1,500,000	1,500,000

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

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Consulting fees paid to directors or companies in which directors have an ownership interest	6,502	4,014	6,502	4,014

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:

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Cash and cash equivalents	406,460	838,962	344,935	769,775

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

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Loss from Ordinary Activities after income tax	(1,935,847)	(1,407,547)	(1,233,263)	(1,233,010)
Non Cash Flows in Loss from Ordinary Activities				
Provision for write-down of pre-development expenditure	285,492	491,583	279,994	396,805
Depreciation expense	174,619	143,030	46,746	58,203
Audit fee accrual	15,000	15,000	7,000	13,000
Provision for doubtful debts	76,000	-	-	-
Write-off of exploration and development properties expenditure	197,048	102,070	71,446	-
Receivables accrued		431,689	-	-
(Profit)/Loss on disposal of property, plant & equipment	-	(19,501)	-	(19,501)
Stock write-down	60,524	33,637	-	33,637
Interest not received	-	-	-	-
Change in assets and liabilities:				
(Decrease)/increase in creditors and provisions	185,371	33,079	95,111	(6,652)
Decrease / (increase) in receivables	290,653	(758,008)	17,849	84,807
Decrease / (increase) in inventories	9,248	21,290	947	7,148
Net cash outflow from operating activities	(641,892)	(913,678)	(714,170)	(665,563)

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 director's 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 2006 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 KENNEWELL
Director

Hornsby, NSW
29 March 2007

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.

TRADING POLICY

The Company's policy regarding directors and employees trading in its securities is set by the Remuneration Committee. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities' prices.

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 Economic 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 and controlled entities for the financial year ended 31 December 2006 as set out on pages 14 to 34. 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.

Independence

In conducting my audit I followed applicable independence requirements of Australian professional and 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 independence declaration set out on page 38 of the financial report has not changed as at the date of providing my audit opinion.

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 2006 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 in Australia.

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 $325,024 and in other non-current assets, exploration, evaluation and pre development expenditure of $8,601,688 and development properties of $2,301,284. 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 29 March 2007.

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 2006 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
Chartered Accountant
Signed at Hornsby, NSW on 29 March 2007.

SUBSTANTIAL SHAREHOLDERS

The company's register of substantial shareholders recorded the following information as at 21 March 2007. 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	161,831,180	14.412%
Unlisted 30 June 2008 2.0 cent options		
Firebird Global Master Fund Limited	53,571,428	69.060%
Partly paid shares		
Television Corporation of Australia Pty Limited	73,724,328	100.000%

SPREAD OF SHAREHOLDINGS AND VOTING RIGHTS

At 21 March 2007 there were 7,298 holders of shares. The shareholders are entitled to one vote for each share held.

Distribution of Shareholdings	Shareholders
1 - 1,000	151
1,001 - 5,000	802
5,001 - 10,000	849
10,001 - 100,000	3,878
Over 100,001	1,618
	7,298

As at 21 March 2007 there were 4,244 shareholders holding less than a marketable parcel of 45,454 shares.

TWENTY LARGEST SHAREHOLDERS AND OPTIONHOLDERS

The 20 largest holders of fully paid ordinary shares held 27.126% 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.

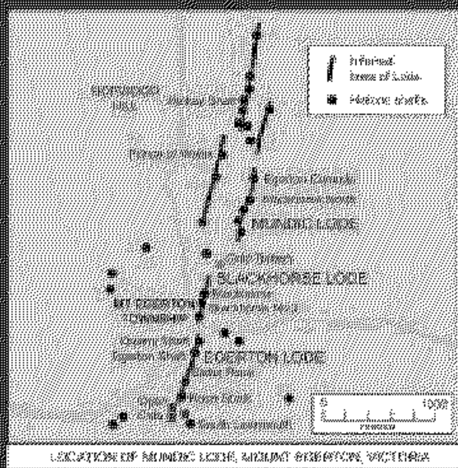
The share register is held at Registries Limited, Level 2, 28 Margaret Street, Sydney, NSW 2000.
Telephone (02) 9290 9600. Facsimile (02) 9279 0664.

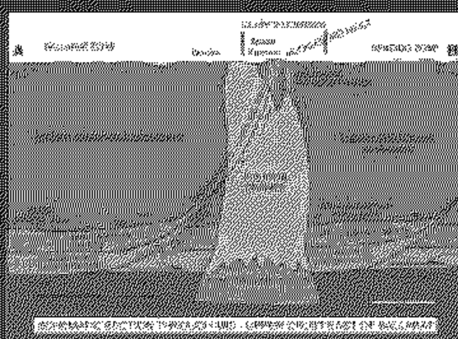
The names and addresses of the twenty largest shareholders as at 21 March 2007 have been lodged with the Australian Stock Exchange (Sydney) Limited.

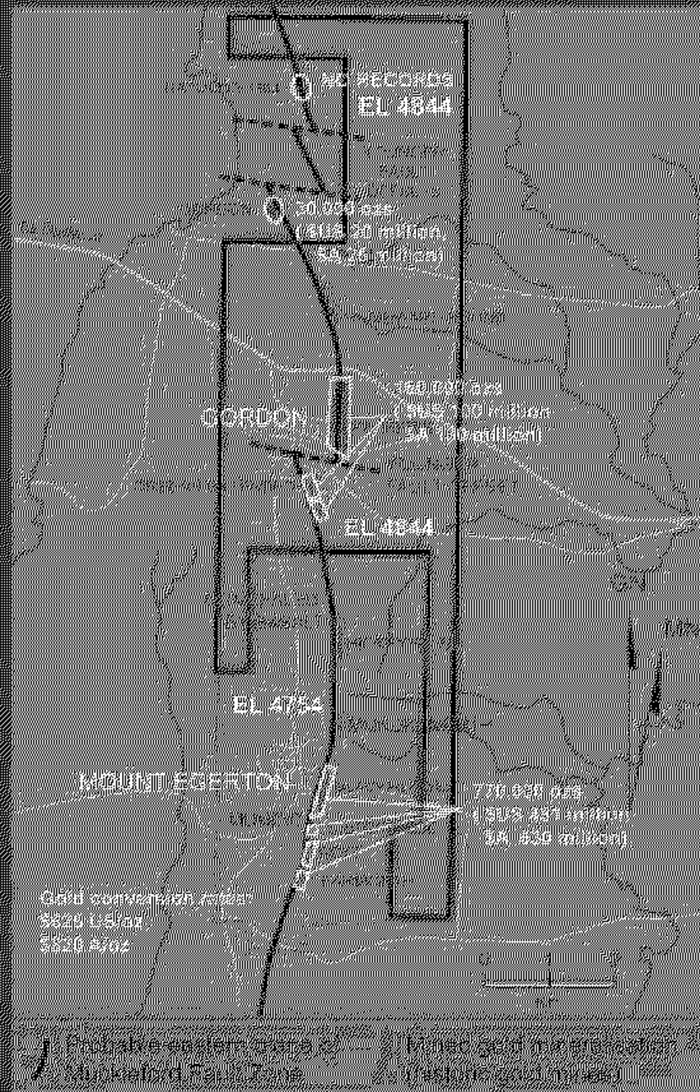
The following are the names of and number of equity securities held by the 20 largest holders in each class of equity as at 21 March 2007.

Cluff Resources Pacific NL
Fully Paid Ordinary Top 20 Holdings as at 21 March 2007

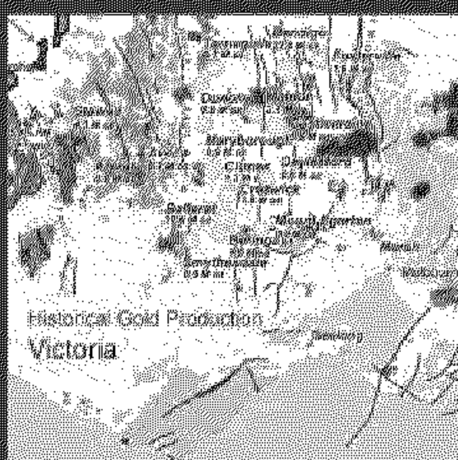
Holder Name	Number of shares	% of Capital
CITICORP NOMINEES PTY LIMITED	116,742,826	10.397
FIREBIRD GLOBAL MASTER FUND LTD	53,571,428	4.771
JONENDERBEE INVESTMENTS PTY LIMITED	22,009,671	1.960
JOHNS CORPORATION PTY LTD	13,914,251	1.239
MR IAN ANTHONY JOHNS	13,071,331	1.164
BOULEVADE INVESTMENTS PTY LTD	11,500,000	1.024
DIAMOGEM PTY LIMITED	9,100,000	0.810
MRS VICTORIA ANNE JOHNS	7,864,439	0.700
MR VICTOR STANLEY KUDRA	6,002,635	0.535
MR DARRY THAKAR SINGH	6,000,000	0.534
MR JOHN EDGAR FISHER	5,681,667	0.506
MR PETER JOHN FALKENSTEIN	5,500,000	0.490
GOLDRIM INVESTMENTS PROPRIETARY LIMITED	5,223,745	0.465
JOJO ENTERPRISES PTY LTD <SFI FAMILY A/C>	4,420,000	0.394
MR PETER KENNEWELL <SUPERANNUATION A/C>	4,107,629	0.366
CUSTODIAL SERVICES LIMITED	4,019,908	0.358
EARL INVESTMENTS PTY LTD <THE PJE SUPER SCHEME A/C>	4,000,000	0.356
IAMATANA PTY LIMITED <IAMATANA A/C>	4,000,000	0.356
MR VICTOR STANLEY KUDRA & MRS AMANDA EILEEN KUDRA <VSK & AEK FAM RETIREMENT A/C>	4,000,000	0.356
MR DAVID ROY BARNETT	3,850,000	0.343
	304,579,530	27.126
	1,122,816,804	



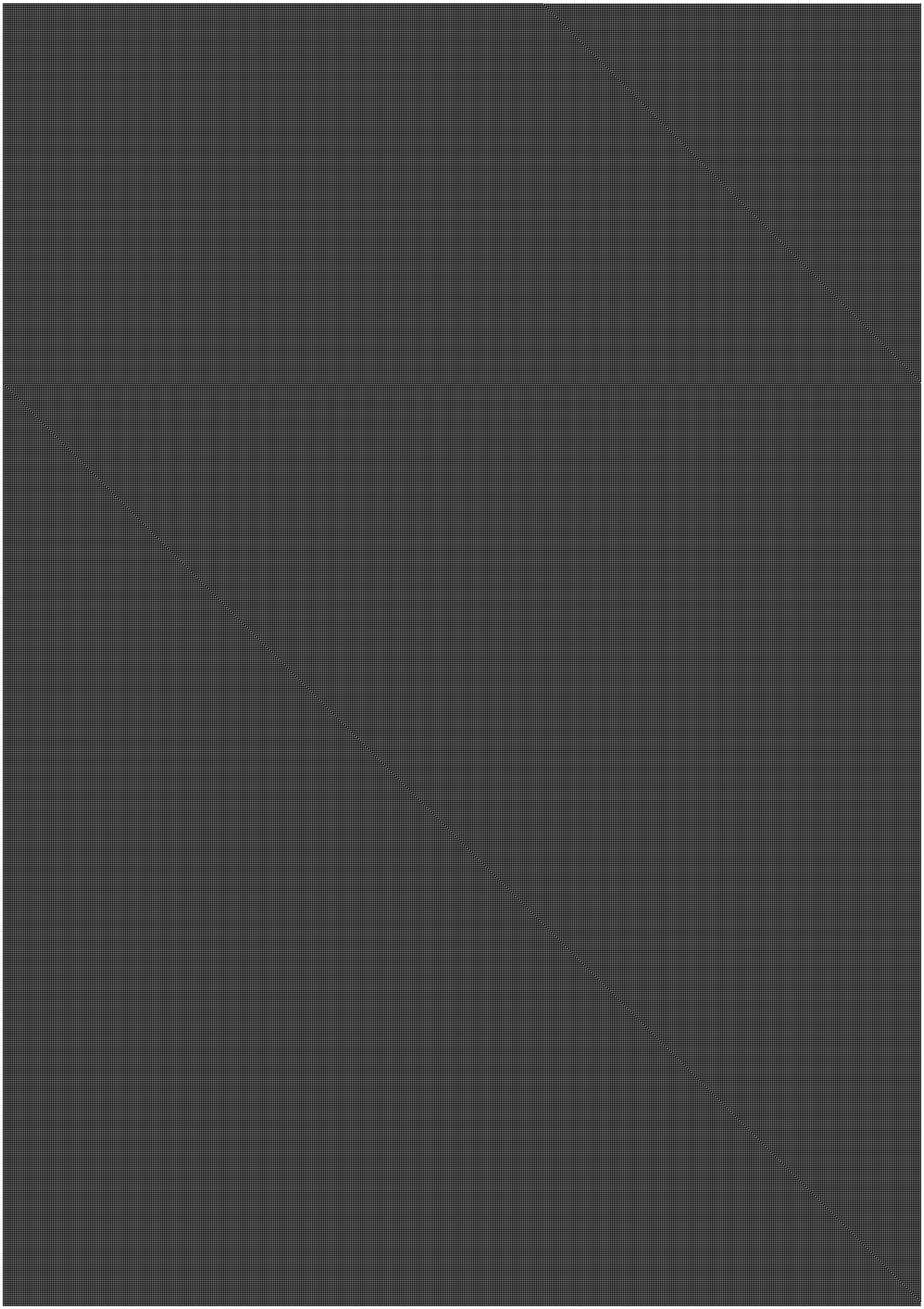




The 18.37 carat pink sapphire recovered at the Ruby Mine one



Copeton Diamond Shaft drive at 61 metres depth



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, First Floor) on Thursday 10th May 2007 at 11.00 am.

BUSINESS

ORDINARY RESOLUTIONS

1. To receive and approve the Annual Report and accounts of the Company for the year ending 31 December 2003.

2. To elect Mr. Peter Francis Barrow as a Director of the Company upon his retirement by rotation in accordance with the Articles of the Company.

It is proposed to make the following changes to the wording of the Articles of Association of the Company:

3. Delete Clause 2(a) of the Articles of Association and replace with the following:
Clause 2(a)
The Company shall from time to time determine:
(I) the share capital of the Company:
(ii) the issue price of ordinary shares in the Company;
PROVIDED that the Directors may, subject to the Act and insofar as the Listing Rules (particularly Listing Rule 7.1) require, determine in respect to such an issue:
(I) the share capital of the Company;
(ii) the issue price of ordinary shares in the Company subject to such shares not being issued at less than 80% of the average sale price of the issued shares of the Company on the Australian Stock Exchange for the previous 10 trading days before the day of issue.

4. Delete from Clause 2 (c) (v) of the Articles of Association the following words:
" - the exercise price of the option is at least twenty cents";
And replace with the following:
" - the exercise price of the option shall be determined by the Company from time to time;
PROVIDED that the Directors may subject to the Act and the Listing rules in any one year determine:
(i) to issue options up to the number equivalent to 7 1/2% (7.5 per cent) of the total number of shares on issue; and
(ii) an exercise price for such options".

Scott Enderby, Company Secretary, By order of the Board

EXPLANATORY NOTES FOR RESOLUTIONS 3 AND 4:

RESOLUTION 3

This amendment is required in order to ensure the current proposed rights issue does not breach the requirements of the Articles of Association.

Clause 2(a) relates to the restriction on the Authorised Capital of the Company. The Company's Authorised Capital is currently restricted to a maximum of 1,500 million shares, following a special resolution passed at the Company's Annual General Meeting on the 30th of May 2003, which increased Authorised Capital from the previous 1,000 million limit.

The amended wording allows for no maximum limit to be placed on the Authorised Capital of the Company, provided that all future issues will be made subject to the ASX Listing Rules and the Corporations Act.

Listing rule 7.1 restricts the amount of shares which may be issued by directors without shareholder approval in any 12 month period to a maximum of 15 % of the total ordinary shares of the Company at that time, less any issues of securities made during that period. Issues of greater than this 15% limit require shareholder approval.

In addition, the wording also states that where Directors are able to issue shares without shareholder (Company) approval (for example, a placement), these shares will be subject to a price of not less than 80% of recent trading prices. This ensures that such issues are not made at a large discount.

RESOLUTION 4

Clause 2 (c) (v) is an outdated provision of the Articles of Association which relates to the original par value of the Cluff Resources Pacific NL ordinary shares, which were issued at 20 cents per share.

In order to make option issues to shareholders and new investors at prices lower than 20 cents, this clause needs to be modified.

The amended wording ensures that Directors are able to issue and price options subject to the ASX listing rules and the Corporations Act up to a maximum limit of 7.5 % of the current shares on issue. A larger proposed issue of options would require shareholder approval at a General Meeting.

AGM PROXY FORM

To the Company Secretary, Cluff Resources Pacific NL (Fax to (02) 9482 4987; Post to Locked Bag 3355 Hornsby 2077)

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 10th May 2007 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 2007

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, 2006 .	[ ]	[ ]
2. To elect Mr Peter Francis Barrow as a Director of the Company	[ ]	[ ]
3. Replacement of Clause 2 (a) of the Articles	[ ]	[ ]
4. Modification of Clause 2 (c)(v) of the Articles	[ ]	[ ]

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.