



Cluff Resources Pacific NL

ABN 72 002 261 565

QUARTERLY REPORT FOR PERIOD ENDING 30 JUNE, 2009

- **UNDERGROUND MINE AND OLD TUNNELS FOUND ON MONTE CHRISTO LEASE, BINGARA**
- **ELEVEN GEM QUALITY DIAMONDS RECOVERED FROM MINE IN A THIRTY TONNE BULK SAMPLE**
- **RIGHTS ISSUES RAISED \$1,293,574, AND CLOSED \$1 MILLION OVERSUBSCRIBED**

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

An underground mine has been identified by Cluff's drilling at the Monte Christo Mining Lease, on the Bingara Diamond Field. Whilst drilling at a depth of 5.9 metres (20 feet) the wire line core barrel dropped 1.8 metres, 0.9 metres through an open hole, and another 0.9 metres through very soft mud interpreted as soft rock shovelled into a cavity. The cavity was interpreted as old mine workings.

The hole (MCR 26) was located on the 20 acre Monte Christo mining lease, from which about 18,000 carats of diamonds were reported to have been produced at extremely high grades, initially at up to 5000 carats per hundred tones, but averaging 500 carats per hundred tones by 1903, according to NSW Mines Department records.

Figure 1 shows the location of drill hole MCR 26, fifty metres south of Cluff's open cut from which 1,400 carats of diamonds were recovered in the 1990s. This open cut mined tunnels stated by the NSW Mines Department to be the Monte Christo Mine (NSW Dept Mines Annual Report, 1894), but grades recovered were not consistent with Captain Rogers' world-renowned Monte Christo Mine. Information for the maps was supplied at that time to the Mines Department by a third party, however, and is now considered by Cluff to describe earlier workings on the lease.

The hole was sited within a group of old shafts, to confirm that they were used for production. Intersection of an 1.8 metre high mining cavity in the drill hole indicates substantial production. Further drilling and pitting for bulk sampling is underway to determine whether this is the former Monte Christo Mine.

The Monte Christo Diamond Mine was worked underground on two near horizontal levels by shafts 30 feet (9 metres) and 50 feet (15 metres) deep. This cavity may be the upper level of this mine, worked from the nearby 50 foot shaft.

The lower level may also have been penetrated by the drill hole and mined by this shaft. Underlying clays contained chert pebbles in a 2.8 metre zone that may represent deeper backfilled old workings above the hard basement at 13.5 metres.

Subsequent pitting over this drill hole revealed old tunnels with wooden roof supports and backfilled with waste rock from the mining operation. To test whether the remnant portions of unmined rock and the backfill contained diamonds, Bulk Sample Pit B MC 3 was dug over this hole, and eleven gem quality diamonds recovered from a thirty tonne bulk sample. Total weight of diamonds recovered was 2.07 carats.

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Interestingly, two black stones together weighing 2.48 carats and tentatively identified as carbonado, a finely crystalline, porous form of diamond, were also recovered. These stones stuck to the grease table and tested as diamonds with the “Presidium Gem Tester”, which measures thermal conductivity, but left a red streak on a porcelain tile. Carbonado has been previously reported from the Inverell Diamond Fields Mine at Copeton. Small pieces of sapphire and topaz were also recovered.

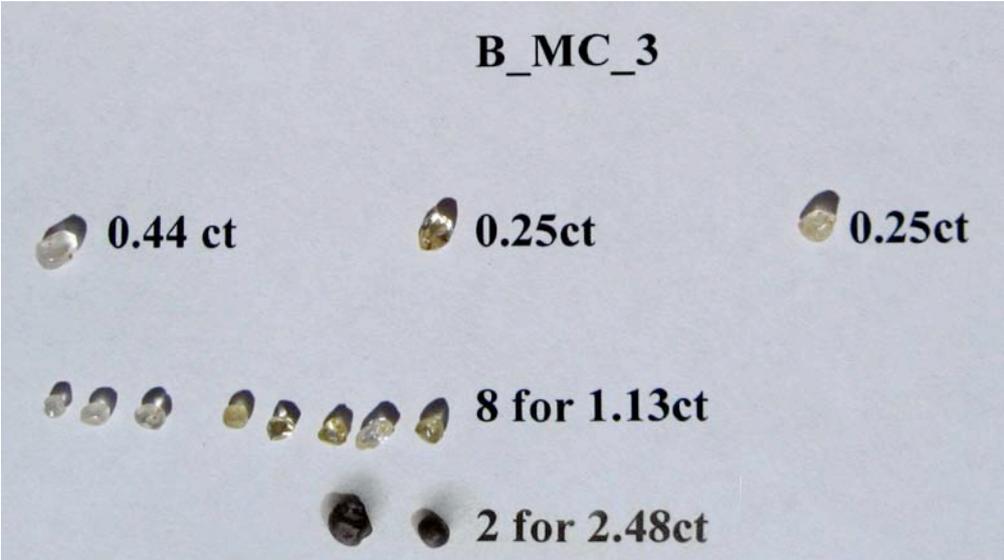


Photo 1: Diamonds and Carbonados recovered from Pit MC 3

The unmined remnants of the diamond bearing rocks were of poorly sorted sediment containing rounded polished jasper pebbles, fine sand, and several beds containing larger pieces of altered bedrock. The sample processed was extremely contaminated. The tunnels had taken out most of the diamond bearing rock, and as the old workings were not clearly apparent until the excavation was complete, this rock was again contaminated with underlying and overlying rubble. It is estimated that 10 to 20% of the rock trucked was diamond bearing, hence a grade could not be determined.



Photo 2. Drill core from Hole MCR 32, showing extreme alteration of rocks to swelling clays, overlying basement.

Sampling the deeper mined horizon where it has not been worked is planned. Sinking a thirteen metre deep pit is a large task, and a site where unmined rocks can be accessed at a shallower depth is sought. Drilling is continuing to determine the most suitable site for such a deep pit, and nine cored holes to depths of up to thirty metres have been completed. Cores recovered have not yet been logged in detail, but initial observations show hard basement overlain by up to twelve metres of extremely altered rock. The significance and nature of this intense alteration and its relationship to diamond mineralisation, if any, is currently being examined.

Bulk Sample BMC 4 sampled the upper level mined at Hole MCR 26, but did not contain the diamondiferous sediments; only thin fracture fill of sand in altered rock. It contained no diamonds. BMC 5 sampled the interval between the worked levels, and is currently being processed.

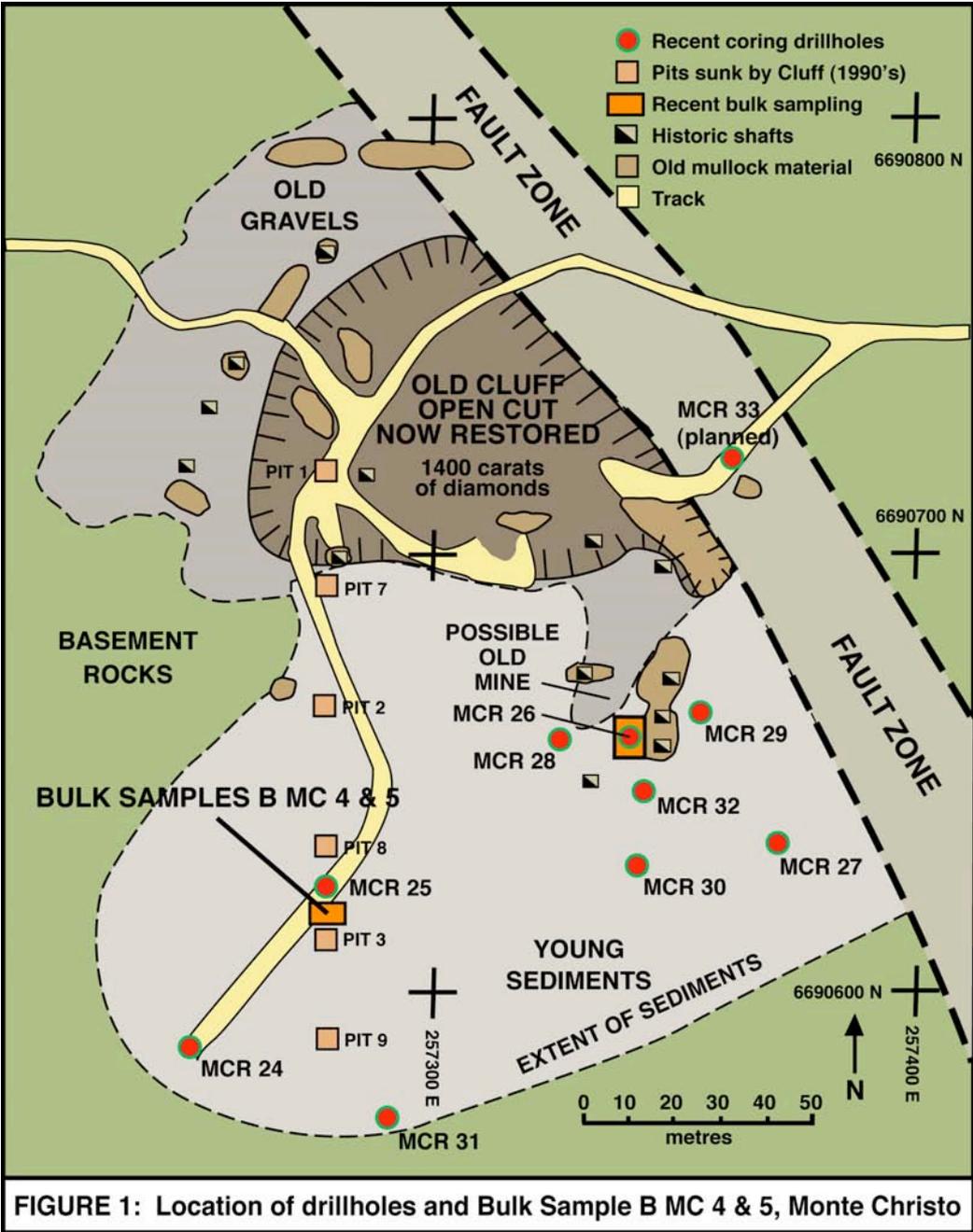


FIGURE 1: Location of drillholes and Bulk Sample B MC 4 & 5, Monte Christo

2. COPETON DIAMOND SHAFT (Cluff 100%).

Diamond-related activities were focussed on the Bingara interests.

3. TIN PROJECTS (Cluff 100%)

There were no activities undertaken on Cluff's tin projects during the quarter.

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

There was no activity at the gold project during the Quarter, as final transfer of tenements is still awaited from the Victorian DPI.

5. INDIAN PROJECT NEGOTIATIONS

Discussions and negotiations continued.

6. RUBY MINE (Cluff 100%)

Apart from the sale of surplus plant and equipment from the project, and maintenance of the environmental monitoring, as required by the EPA, there was no activity to report at the ruby project.

7. FINANCE

The Non-Renounceable Rights Issue closed on 24 July 2009, and attracted an unprecedented level of interest, resulting in an oversubscription of over \$1 million being received.

Eligible Shareholders subscribed for 185,412,216 shares and two free attaching listed options ('units') under their 1 for 5 entitlements, which represented a takeup of 57.3%. This left a remaining number of 137,981,408 units available for over subscriptions up to the 323,393,624 unit offer limit.

The total number over oversubscriptions received was an extraordinary 400,117,178 units, meaning that the issue was oversubscribed by 262,135,770 units, representing a total value of \$1,048,543.

Regrettably, there was no provision within the offer to accept over subscription monies beyond the total amount being raised (\$1,293,574), and these over subscribed funds are required to be returned to unsuccessful applicants. As stated in the Offer Document, applications for over subscriptions were accepted on a first come, first served basis.

The sale of surplus plant and equipment, mainly from the ruby project and located both on site and at the Company's head office, raised a total of over \$190,000 through sales conducted by Graysonline auction house. The receipt of these funds enabled the continuing exploration activities at the diamond projects.

The information in this report that relates to mineral exploration or mineral resources 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.

For further information please contact:

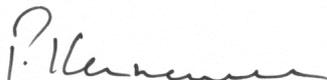
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Yours faithfully,



Peter Kennewell
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31 July, 2009