

31 October 2006

Company Announcements Office  
Australian Stock Exchange Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

## **QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2006**

### **HIGHLIGHTS**

- Snowden Mining Industry Consultants Pty Ltd was appointed by Reefton Mining N.L. to complete a JORC compliant resource estimate for the Skeleton Coast Diamond and Mineral Sand Project in Namibia.
- Heavy mineral assay results were received for all 1,566 drill samples submitted to SGS Lakefield Research, South Africa.
- Assay results from the 1,566 samples averaged 8.8% heavy minerals, with over 29% of samples returning grades above 10% heavy minerals.
- The content of slimes in these samples averaged a low 3.8%.
- Planning has progressed on the implementation of a major geochemical sampling programme across the Erongo project area targeting base metals and gold.
- Dr George Katchan has been appointed executive Technical Director.

## **SKELETON COAST DIAMOND AND HEAVY MINERAL SANDS PROJECT - NAMIBIA** **EPL 2698 – 2700 (100%)**

### **INTRODUCTION**

The Skeleton Coast Exclusive Prospecting Licences include Precious Stones (diamonds) and the Industrial Minerals Group (Heavy Minerals: ilmenite, rutile, zircon, garnet etc). The granted licences cover a 220 kilometre length of coastline comprising significant volumes of marine and coastal alluvial deposits extending up to 5 kilometres inland. Dune sands parallel the coast and contain visually abundant heavy minerals (HM), and gravels that locally contain diamonds. Valuable heavy minerals (VHM) are those minerals that have an economically significant value, and include zircon (up to A\$800 per tonne), rutile (~A\$600 per tonne), and ilmenite (~A\$100 per tonne depending on quality).

In the first half of 2006 an air-core drilling programme was completed on the Skeleton Coast Project, which drew on the results of the 2005 assaying and mineralogical test work. Using a Wallis Drilling Mantis 75 drill rig, 672 holes were completed for 5,379.5 metres in a programme that spanned over 115 kilometres of coastline (from a total of 160 km) within EPL/2699 and EPL/2700.

HM assay results returned from SGS Lakefield of South Africa are considered to be very encouraging and confirm the visual estimates made by geologists in the field. Results as high as 60.2% total HM have been reported and are in line with results received in the 2005 test pitting programme.

Assay results received from the 1,566 samples submitted averaged 8.8% HM, with over 29% of samples returning grades above 10% HM. Slimes content averaged a low 3.8% across all samples assayed.

Following the review of results from the 2005 pitting programme the prospectivity of EPL/2698 was downgraded and as a result drilling was not conducted on the licence.

In a letter dated 27 July 2006 the Ministry of Mines and Energy in Namibia approved the conditional extension of EPL/2699 and EPL/2700 subject to the submission of a relinquishment report for EPL/2698. This has been done and the Company is awaiting confirmation of the relinquishment (EPL/2698) and extensions.

### **COMPOSITE GENERATION**

Of the 1,566 HM residues received, 1,279 have been selected to be combined into 54 designed composites. By the end of the Quarter 28 of the 54 submitted composites had been compiled and analysed. The date of completion for the assaying of these composites is expected to be late November 2006.

The generation of composites is a process that begins with the interpretation of the geology and then the building of a three dimensional (3D) model of the deposits from the data collected in the drilling. Cross-sections are produced for each line of drilling completed (see previous Quarterly report), and stratigraphically similar units are then outlined. Stratigraphic units are connected from one section to the next along strike and assumed to be continuous if the elevation of the lower boundary is consistent. Using the 3D model, generated by the above method, samples are selected from within each identified stratigraphic unit and combined together to form the individual composites.

### **ENVIRONMENTAL WORK PROGRAMME**

Coastal and Environmental Services (CES) completed the preparation of a baseline ecological study over the Skeleton Coast project area. The preparation of the baseline report followed detailed field trips and desktop studies of the flora and fauna that inhabit the Skeleton Coast Park. The report addresses the possible affect that exploration and mining may have on the area and makes recommendations as to rehabilitation practices that should be adopted.

In accordance with CES's recommendations all drill holes and access tracks created during the air-core drilling programme detailed above were back-filled and rehabilitated in consultation with the Park's rangers.

## **FUTURE WORK PROGRAMMES**

Snowden Mining Industry Consultants Pty Ltd has been appointed by Reefion Mining N.L. to calculate a JORC compliant resource estimate for the Skeleton Coast Diamond and Mineral Sand Project in Namibia.

Outokumpu Laboratories are currently working on completing a mineralogical analysis of the composite samples from the project. Once the analyses are complete the results will be incorporated into the resource figures to give an assessment of the VHM and diamond potential of the project.

## **ERONGO POLYMETALLIC PROJECT - NAMIBIA** **EPL 2805 – 2811 (100%)**

### **INTRODUCTION**

The Erongo Polymetallic Project consists of 7 licences covering approximately 4,600 square kilometres and includes Base and Rare Metals, Industrial Minerals, and Precious Metals. The area contains a wide range of mineral occurrences including gold, copper, tin, lead, zinc, tantalum, tungsten, rutile, graphite, and rare earths elements.

World class ore-bodies that exist in close proximity to the licences include; Navachab Gold Mine (126.3Mt containing 4.7M ozs of gold); Uis, the world's largest open cut hard rock tin mine, and the Rössing Uranium Mine.

Much of the Company's early work focussed on the evaluation of the known metal occurrences, with a particular focus on rare metal pegmatites, especially those containing tantalum.

The acquisition earlier this year of high resolution hyperspectral survey data covering the entire project area will allow the Company to quickly prioritise any gold and base metal target areas for follow-up purposes. Final products for the trial area were received early in the December Quarter.

### **HYMAP DATA COMPILATION AND ANALYSIS**

Work continued on the preliminary HyVista hyperspectral survey data that was received during the previous Quarter. Delivery of the advanced processing was received early in the following Quarter. The Company is using the data to identify and prioritise new exploration targets.

In preparation for the arrival of the detailed mineral maps from HyVista Corporation, the Company has initiated planning for a geochemical sampling programme to cover the Erongo Project area. Within this planned geochemical sampling program there is scope for detailed sampling of targets generated as a result of analysis of the hyperspectral survey.

## **BADJA URANIUM PROJECT - WESTERN AUSTRALIA** **ELA 59/1249 (100%)**

During the previous financial year the Company submitted an application for an Exploration Licence (ELA59/1249) of 205 square kilometres covering a potential uranium bearing palaeochannel near Yalgoo in Western Australia.

This tenement application is currently pending and subject to no objections being lodged, grant of ELA59/1249 is expected to occur by mid November 2006.

**LTWALE URANIUM PROJECT - TANZANIA**  
**PLR 3723/2005 & PLR 3743/2005 (OPTION TO EARN/ACQUIRE 100%)**

Desk top evaluation of the project progressed throughout the Quarter to the stage where a field visit has been planned to determine the prospectivity of the project area, and guide the direction of the Company's involvement.

A field visit has been scheduled for the December Quarter.

**PROJECT GENERATION**

The Company is continuing to evaluate and consider additional resource opportunities as they present themselves, and with the appointment of Dr George Katchan as Technical Director the Company is now well equipped to locate and assess such opportunities.

**CORPORATE**

During the Quarter the Company announced the appointment of Dr George Katchan as the Technical Director of the Company. Dr Katchan brings a wealth of experience to the Company, and will be responsible for the management and development of the Company's existing mineral assets and the generation of new opportunities.

George has demonstrated an excellent level of technical knowledge and he has a widespread network within the geological sector. Most recently, George held the position of Exploration Manager for Argosy Minerals Inc where he was responsible for exploration and project evaluation. In this role he conducted property evaluations in the USA, Canada, Mexico, Ukraine, Romania, the Democratic Republic of the Congo, South Africa, Indonesia and New Caledonia.

Prior to joining Argosy Minerals Inc, Dr Katchan worked for Anglo American, Battle Mountain Gold Company, Billiton and various subsidiaries of Exxon Corporation. George is an active member of the Geological Society of Australia, the Australasian Institute of Mining and Metallurgy, the Society of Economic Geologists and the Association of Exploration Geochemists.

Dr Katchan replaces Mr Garry Hemming who has resigned as Technical Director in order to pursue other interests. The Directors would like to thank Mr Hemming for his contribution and loyalty to the Company over the past 12 years, and wish him well for his future endeavours.

Yours faithfully

**BS MOORE**  
*Chairman*

***Enquiries to:***  
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Chairman  
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*This report accurately reflects information compiled by Dr G Katchan, MAusIMM,,, a full time employee of the Company, who 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 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve'. Dr Katchan consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

For further information please visit our website – [www.reeftonmining.com.au](http://www.reeftonmining.com.au)

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Name of entity

**Reefton Mining N.L.**

ACN or ARBN

010 546 675

Quarter ended ("current quarter")

30 September 2006

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	2	2
1.2 Payments for (a) exploration and evaluation	(279)	(279)
(b) development		
(c) production		
(d) administration	(258)	(258)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	37	37
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	(498)	(498)
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects		
(b)equity investments		
(c) other fixed assets		
1.9 Proceeds from sale of: (a)prospects		
(b)equity investments		
(c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	-	-
1.13 Total operating and investing cash flows (carried forward)	(498)	(498)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(498)	(498)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material) Share and Option issue costs		
	<b>Net financing cash flows</b>	-	-
<b>Net increase (decrease) in cash held</b>			
		(498)	(498)
1.20	Cash at beginning of quarter/year to date	2,747	2,747
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>2,249</b>	<b>2,249</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	167
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

N/A
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**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A
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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A
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**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	NIL	
3.2 Credit standby arrangements	NIL	

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	230
4.2 Development	-
<b>Total</b>	<b>230</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	16	17
5.2 Deposits at call	2,233	2,730
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,249</b>	<b>2,747</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EPL 2698	EPL Relinquished	100%	0%
6.2 Interests in mining tenements acquired or increased	N/A			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	364,616,677 38,940,000 5,000,000	364,616,677 38,940,000 NIL	7 cents 9 cents	1 cent 1 cent
7.4 Changes during quarter (a) Increases through issues (b) Changes through payment on contributing shares (c) Increases through exercise of options				
7.5 <b>*Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	269,494,234	269,494,234	<i>Exercise price</i> \$0.10	<i>Expiry date</i> 30/11/2009
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.



## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 31 October 2006  
(Director)

Print name: BRADLEY STEVEN MOORE

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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