

31 January 2007

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 31 DECEMBER 2006**

### **HIGHLIGHTS**

- Snowden Mining Industry Consultants Pty Ltd progress a JORC compliant resource estimate for the Skeleton Coast Diamond and Mineral Sand Project in Namibia.
- Completion of a major geochemical sampling programme across the Erongo project area targeting base metals and gold.
- Badja uranium exploration tenement granted in Western Australia

### **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, rutile, and ilmenite.

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.

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.

### **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 completed the mineralogical analysis of the composite samples from the project during the Quarter. Snowden forwarded to the Company, at the end of the Quarter, a draft copy of their report on the estimate of the mineral resource. An announcement concerning these results can be expected soon.

## **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.

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 has allowed 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.

### **GEOCHEMICAL EXPLORATION**

Utilising the HyVista hyperspectral survey data, and other geologic maps, a geochemical sample collection and field mapping program was conducted during the Quarter. The sampling program was designed to test HyVista generated targets and map background base metal levels.

In total 217 sites were visited and 648 samples collected over four weeks of field work. Samples were submitted for assay at SGS in Johannesburg, Rep. South Africa. Assay results are still pending.

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

During the previous financial year the Company submitted an application for an Exploration Licence (EL 59/1249) of 205 square kilometres covering a potential uranium bearing palaeo-channel near Yalgoo in Western Australia.

The Badja Exploration Licence was granted on the 28<sup>th</sup> of November, 2006. During the first week of January 2007 a visit was conducted to meet with pastoralists and to inspect any surface exposures above the radiometric anomaly within the licence area. Visual inspection confirmed the existence of outcropping calcrete. The Company is currently obtaining quotes for an airborne radiometric survey to test for the presence of uranium mineralisation and define targets for future exploration.

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

A site visit was made to the Liwale area in southern Tanzania during this Quarter. A group of point-source radiometric anomalies occur within PLR 3743/2005. The radiometric data covering the licence areas are part of a country-wide coverage flown from 1977-80 by Geosurvey International GmbH. Results from grab sampling of surface gravel and sands are still awaited.

**PROJECT GENERATION**

The Company is continuing to evaluate and consider new business opportunities. A base metal property in Namibia was investigated during the Quarter and declined. Several properties in eastern Africa are currently under review.

**CORPORATE**

The Annual General Meeting of the Company was held in Perth on the 29<sup>th</sup> November 2006. A resolution for the re-election of Bradley Moore, the Chairman of the Company, was defeated. New Directors were elected to the Board of the Company at a General Meeting of Shareholders held on the 22<sup>nd</sup> January 2007.

Yours faithfully

***GEORGE KATCHAN***  
***Technical Director***

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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")

31 December 2006

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	2
1.2 Payments for		
(a) exploration and evaluation	(249)	(528)
(b) development		
(c) production		
(d) administration	(266)	(524)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	26	63
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>	<b>(489)</b>	<b>(987)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a)prospects		
(b)equity investments		
(c) other fixed assets	(10)	(10)
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>	<b>(10)</b>	<b>(10)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(499)</b>	<b>(997)</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(499)	(997)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	24	24
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>	24	24
<b>Net increase (decrease) in cash held</b>			
		(475)	(973)
1.20	Cash at beginning of quarter/year to date	2,249	2,747
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	1,774	1,774

**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	182
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.

		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	250
4.2	Development	-
<b>Total</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	89	16
5.2	Deposits at call	1,685	2,233
5.3	Bank overdraft		
5.4	Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>		1,774	2,249

### 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		Granted 100%	Relinquished 100%
6.2	Interests in mining tenements acquired or increased	Badja EL59/1249		Pending 100%	Granted 100%

+ 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 24,000,000 1,500,000	269,494,234 24,000,000 1,500,000	<i>Exercise price</i> \$0.10 \$0.02 \$0.05	<i>Expiry date</i> 30/11/2009 31/03/2009 29/11/2008
7.8 Issued during quarter	24,000,000 1,500,000	Nil Nil	\$0.02 \$0.05	31/03/2009 29/11/2008
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)		
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## 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 January 2007  
(Director)

Print name: GEORGE KATCHAN

## 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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