

31 January 2005

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 2004

HIGHLIGHTS

SKELETON COAST DIAMOND PROJECT – Namibia

Bulk sampling of diamondiferous beach gravel

- The volume of diamondiferous gravels processed for the Quarter was 705 cubic metres (m³) at 1 target site.
- Grades of up to **20.60 cphm³** returned over a 13 kilometre strike length.
- Average diamond size of 0.19 carats per diamond.
- A total of 438 diamonds recovered during the Quarter for 51.6 carats brings the total inventory to 2629 diamonds for 494.4 carats at the end of the Quarter.

Corporate

- The Company raised A\$2.05 million before costs by issuing 41 million shares at 5 cents each with 20.5 million 2009 options free-attached at 1 for 2.

SKELETON COAST DIAMOND PROJECT - NAMIBIA
EPL's 2698-2700 (100%)

The Company's staged exploration programme (Evaluation and Discovery) is advancing to resource definition for the diamondiferous gravels in the Mowe Bay Sector (over a 22 kilometre length) of the Company's 310 kilometre length of on-shore concessions. Mapping of the Sectors to the north has begun to detail the extensive beach marine deposits from Rocky Point to Cape Fria located 20 to 80 kilometres north of the present camp and plant site.

The diamondiferous gravels also contain high levels of heavy minerals including zircon, garnet, ilmenite, rutile and leucoxene.

Evaluation of diamond grade is well advanced in 7 target areas of the 10 Metre Beach Series (T2, T3, T4, T5, T15, T16 and T21) and at T35 for the 30 Metre Beach Series (Table 1).

Evaluation Programme

Diamondiferous gravels from 2 trench sites have been excavated during the Quarter bringing the total gravels excavated to 14,257 m³ for the calendar year, 2004.

Samples from the trenches are screened at the excavation to produce a diamondiferous concentrate (-14mm + 1.3mm). The product is then transported to the DMS plant where it is washed through a wet scrubber before passing through a DMS cyclone utilising ferro-silicon as the separating media. The resulting second stage diamondiferous concentrate is sorted utilising a FlowSort X-Ray machine under tight security to recover diamonds.

Diamond Recovery

The Skeleton Coast diamonds are of the highest quality with 89% being flawless and of premium gem grade.

The diamond inventory at the end of the Quarter stands at **2629 diamonds (494.4 carats)** having increased by a further **438 diamonds for 51.6 carats** in this Quarter, with 13% of the carats recovered to date being in excess of 0.98 carats per diamond.

Overall, the diamonds average 0.19 carats /stone with the largest diamonds being up to 2.70 carats in size. Cumulative sample results are shown in Table 1 below.

Table 1. Recovered diamonds

	Recovered Diamonds	Carats	Largest Stone (carat)	Average (carat)
10 Metre Beach Series				
T2-100	83	17.80	1.28	0.21
T3 Extension	171	45.99	1.43	0.27
T4 Extension	13	4.13	1.33	0.31
SD 4	559	83.82	1.71	0.15
SD 5 to 16	292	38.41	2.34	0.13
Jig Tails	351	57.48	2.29	0.16
Modern Beach	3	0.20	0.09	0.06
T5	93	18.22	1.50	0.20
T15	13	2.78	0.92	0.21
T16	159	22.67	0.91	0.14
T21	110	21.28	1.38	0.19
30 Metre Beach Series				
T35	48	27.59	2.30	0.57

30 Metre Beach Series

A trench on site (T35) within the 30 Metre Beach Series showed continuity of well developed gravel with large cobbles and high levels of heavy minerals.

Diamonds from the 30 Metre Beach Series average 0.59 carats per diamond, significantly larger than the 0.19 carats of the 10 Metre Beach Series.

A total of 56 high quality diamonds have been recovered from the 30 Metre Beach weighing a total of 32.87 carats with the largest stone being 2.31 carats. Grades of individual samples are set out in Table 2.

Grade determinations

Grade determinations are advancing and details to date are set out in Table 2. Overall grade is to be determined from on-going programmes of bulk sampling. In this Quarter grades of up to **17.28 cphm³** have been returned for the 10 Metre Beach Series and **20.60 cphm³** for the 30 Metre Beach Series. Also, earlier samples were reprocessed through the FlowSort and the undersize samples were processed to enable recovery calculations to be completed for all cells of the various trench areas.

The 10 Metre Beach Series was tested at sites 10 kilometres apart at T2-100, T3 to T21. The 30 Metre Beach Series has been tested by trenches T30 to T35 and samples returned an average of 0.59 carats per diamond. Individual grades of selected sample blocks are set out in Table 2.

Diamond Grade of Previous Discarded Undersize

The recovery of diamondiferous concentrate has been in the size range 2-14mm. However a programme to determine the recovery and concentration of diamonds in the undersize material (1.3 to 2mm) has returned up to **8.55 cphm³**.

Discovery Programme

The Company is advancing its geological evaluation and mapping programme to the north of the Mowe Bay Sector – including Rocky Point, Kumib and Sechomib to Cape Fria.

Multiple overlapping beaches of 15 kilometres in length have been determined at Cape Fria in EPL 2700. The source of gravel and diamonds is interpreted to be the giant Angra Fria River system draining south eastern Angola where corridors of kimberlite pipes exist.

Diamond Valuation

The Skeleton Coast Diamond Project has now recovered 494 carats of premium gem grade quality diamonds. This is a sufficient quantity for a representative market valuation which will contribute to determining the economic viability of a diamond mining operation on the Skeleton Coast. It is anticipated to value the parcel of diamonds early next Quarter.

Mineral Sands

There are significant levels of heavy minerals on the Skeleton Coast which would be a valuable co-product to diamond production. Applications to include heavy minerals in the concessions are awaiting approval.

Table 2. Selected bulk sample grades for the 10 Metre and 30 Metre Beach Series

Block Number	Sample size (m ³)	Recovered Diamonds		Diamond Grade (cphm ³)
		Stones	Carats	
T2-100 Area Results				
Block 1				
2003	73.2	12	3.65	4.99
X1 2004	61.0	7	2.24	3.68
X3	2.8	2	0.33	11.82
X4	17.8	4	0.62	3.50
X5	19.4	5	1.31	6.75
X6	27.8	5	1.57	5.64
X7	27.8	11	2.51	9.01
X8	97.2	4	2.70	2.78
X9E	60.5	4	3.06	5.06
X10W	17.2	1	1.18	6.08
X11E	17.2	11	2.27	13.19
X12E	30.5	2	1.10	3.59
X13E	33.3	2	1.19	3.58
X16E	19.4	1	0.67	3.44
T35 Area Results				
T35 A2	110.7	4	2.92	2.61
T35 B2	60.5	1	1.39	2.30
T35 C1	70.0	5	3.02	4.31
T35 C2	117.2	2	1.74	1.20
T35 D0	30	10	6.18	20.60
T35 E0	30	5	2.56	8.53
T35 E1	78.8	3	2.64	3.36
T35 F1	96.7	2	2.47	2.57
T35 K1	70.5	6	3.49	4.94
T4 Area Results				
T4 Ext X1	30	4	0.87	2.91
T4 Ext X2	60	4	2.33	3.89
T5 Area Results				
T5G X5	67.4	6	1.62	2.41
T5G X6	144.2	11	3.95	2.74
T5G X7	156.5	21	4.24	2.71
T5G X8	158	15	3.51	2.22
T5H X1	85	12	1.61	1.89
T5H X2	35	3	0.36	1.04
T5H X3	50	8	1.42	2.84
T16 Area Results				
T16 F X1	64.6	2	0.69	1.07
T16 F X2	68.6	4	1.14	1.66
T16 F X6	18.5	4	0.97	5.25
T16 G X2	50.1	5	0.72	1.44

Block Number	Sample size (m ³)	Recovered Diamonds		Diamond Grade (cphm ³)
		Stones	Carats	
T3 Area Results				
Westies				
Pit	225	95	16.7	7.42
T3 Block 1	202.9	42	8.36	4.12
T3 Block 2	326.1	45	12.27	3.76
3X	116.7	15	4.63	3.97
5E	30.3	11	4.87	16.07
6E	30.4	12	4.41	14.51
7E	39.7	9	3.66	9.22
9E	51.7	9	2.94	5.69
10E	30.7	7	1.16	3.78
11E	23.1	13	4.01	17.36
12E	26.2	6	1.10	4.20
13E	20.9	5	0.68	3.25
14W	30.5	7	1.59	5.11
14E	12.4	5	0.79	6.73
15E	14.4	3	0.34	2.36
17E	19.9	7	1.80	9.05
18E	23.5	18	4.06	17.28
19E	26.1	9	1.92	7.36
23E	58.3	10	3.6	6.17
24E	31.3	7	3.94	12.59
25E	8.1	4	0.80	9.88
27E	4.6	5	0.28	6.09

ERONGO PROJECT – NAMIBIA
EPL's 2805 – 2811 (100%)

The Company has continued discussions with one significant tantalum producer regarding farm-out and joint venture opportunities for its Tantalite Project.

CORPORATE

Capital Raising

A total of 41 million fully paid ordinary shares at 5 cents each and 20.5 million 2009 Options free-attached were issued during the Quarter raising A\$2.05 million before deducting the costs of the issue.

Yours faithfully

BS MOORE
Chairman

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This report accurately reflects information compiled by Mr G.R. Hemming, MAusIMM., MAIG., a Director of Roscoria Pty Ltd, who is a competent person as defined by the Australasian Code for Reporting of Identified Minerals Resources and Ore Reserves and accurately reflects the information compiled by the competent person.

For further information please visit our website – www.reeftonmining.com.au