REEFTON MINING NL

and Controlled Entities

ACN 010 546 675

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2004

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the half-year ended 31 December 2004.

Directors
The names of directors in office at any time during or since the end of the half-year are:

Mr Bradley Steven Moore
Mr Vladimir Nikolaenko
Mr Garry Robert Hemming
Mr Anthony Ogilivie Thompson

Directors have been in office since the start of the financial half-year to the date of this report unless otherwise stated.

Review of Operations
The activities of the company focused on exploration in Namibia and are further disclosed in a separate Review of Operations.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001
The lead auditor's independence declaration is set out on page 2 and forms part of the director's report for the half-year ended 31 December 2004.

Signed in accordance with a resolution of the Board of Directors.

B S MOORE
Chairman of Directors

Dated this 16th day of March 2005.

Lead Auditor's Independence Declaration under Section 307C of the Corporation Act 2001 to the directors of Reefton Mining NL

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2004 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

Dated at Perth this 16th day of March, 2005

K. WESTAWAY
PRINCIPAL

K. WESTAWAY & ASSOCIATES
CHARTERED ACCOUNTANTS

REVIEW OF OPERATIONS

SKELETON COAST DIAMOND PROJECT (100%) – NAMIBIA

EPL 2698 – 2700 (100%)
EPL 2742 (80%)

Introduction

Reefton, through its wholly owned Namibian subsidiary, Storm Diamond Mining Company (Pty) Ltd, is exploring and developing the Skeleton Coast Diamond Project covering 310 kilometres of the diamond bearing modern and fossil beach deposits of the northern coast of Namibia.

The company has invested in its own plant and equipment includes excavators, screening plants, trucks, a Dense Media Separation Plant and a FlowSort X-Ray sorting system which is being used to fast track the evaluation and development of the project.

Vast quantities of high value gem diamonds (+70,000,000 carats in Namibia alone) have been mined from restricted and forbidden areas along the West Coast of Africa from the Oliphants River in South Africa to the northern border of Namibia (with Angola) a distance of over 1500 kilometres. More than 95% of the diamonds are high gem quality, transported to the coast by the major drainage systems of the interior.

Namibia is a stable, well developed country and is the world's 6th largest producer of diamonds by value. The world's best quality diamonds are mined at excellent prices currently averaging US$320 per carat.

Exploration - Diamonds

For the 6 month field period ending in December, sampling returned diamonds from a number of the sites excavated, with a recovery of 1,587 diamonds for 253.4 carats. The total diamond recovery to date is 2,629 diamonds for 494.4 carats. The diamonds are of exceptional high quality, clarity, colour and crystal shapes, ranging up to 2.7 carats in size, and averaging 0.19 carats. A number of fancy yellow diamonds were also recovered.

The on going programme of exploration and bulk sampling has now extended the presence of known diamondiferous modern and fossil beach gravels to over 45 kilometres of the Company's concessions. The concession area has been divided into sectors (see attached map) based on the rivers and landforms which affected the deposition of the gravels.

Bulk sampling processed 7,082 cubic metres of diamondiferous gravels returning grades of up to **20.60 carats per hundred cubic metres (cphm^3)** over a 13 kilometre strike length.

Aerial photography studies of the concessions indicate that the same gravel beaches as those at Mowe Bay, persist in Reefton's concessions for a further 200 kilometres to the north of Mowe Bay toward the Angolan border.

Based upon the results received to date, there is every expectation that the gravel beaches are diamondiferous throughout Reefton's concessions. Recorded diamond production supports this from old prospecting sites to the north at Rocky Point, Sarusas and Cape Fria, and to the south at Henties Bay.

Figure 1. Map of the Skeleton Coast Diamond Project showing target sectors and select grades from bulk sampling of diamondiferous gravels.

Mowe Bay Concession (EPL 2699)

Diamonds have been recovered over a length of 22 kilometres of the Mowe Bay sector (see map). The beach gravels are estimated to exceed 15,000,000 tonnes. Four beach series have been determined at the Mowe Bay Sector of which three have been tested by drilling, trenching and sampling.

1. **The Modern Beach** - The dynamic marine processes are still actively depositing and concentrating diamonds in the concession areas.

2. **The 10 Metre Beach Series** – This well preserved, extensive gravel beach contains up to five (5) individual gravel beaches. The individual beaches are inter-layered and overlap one another from 5 to 12 metres in elevation above sea level (collectively termed the 10 Metre Beach Series). The beach series is up to 500 metres in width and sampling has returned grades of up to **18.24 cphm^3** over a 13 kilometre strike length with an average diamond size of 0.19 carats per diamond.

   Segments of this beach in the Mowe Bay Sector were selected as target areas for bulk sampling. They are each located up to 10 kilometres apart. The intervening areas contain continuous gravel, thin sand cover or erosion surfaces and exploration will continue to infill between the target resource areas.

   Westies Area - The largest diamond recovered from the Western Area was 2.7 carats. Grades of 7.42 cphm^3 (450 tonne sample) have been returned.

3. **The 30 Metre Beach Series** - comprises at least three (3) inter-layered beaches from 20 to 30 metres in elevation (collectively termed 30 Metre Beach Series) over a width of up to 400 metres. It is located 1.5 to 2 kilometres inland from the existing shoreline. Bulk sampling has returned grades up to 6.18 cphm^3 over a 3,000 metre strike length with an average diamonds size of 0.59 carats per diamond.

4. The fourth beach series is the oldest and is located further inland from the Namibian coast beneath shallow wind blown sand. This series of beach gravels occurs along the continental cliff line from 50 to 90 metres elevation in Reefton's concessions.

Cape Fria Concession (EPL2700)

The Cape Fria concession includes three sectors; Rocky Point, Kumib and Sechomib. Exploration advancing further north into the Rocky Point Sector (see map) is planned for the second half 2005. A programme of mapping, observation pits and slot trenches will be completed to locate and identify diamondiferous gravel extensions to those already found in Mowe Bay to the south. The new gravel deposits, some tested through reconnaissance sampling during the 2003 exploration programme, will add to the Skeleton Coast Diamond resource base. This sector contains similar beach deposits to the Mowe Bay Sector and is estimated to contain in excess of 10,000,000 tonnes of gravel.

Kunene Concession (EPL 2742) 80%

The company has an option to acquire an 80% interest in EPL2742 from Rusina Mining NL. This concession adjoins the company's existing concessions, to the north, bringing the total coverage of the diamond bearing beach deposits held by the company to 310 kilometres. Further to the north in Angola, a corridor of diamondiferous kimberlites trend south east into this concession area. This corridor contains kimberlites and extensive rich alluvial diamond deposits.

Diamond Grade

Block Number	Sample size (m^3)	Recovered Diamonds Stones	Recovered Diamonds Carats	Diamond Grade ($cphm^3$)
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 Stones	Recovered Diamonds Carats	Diamond Grade ($cphm^3$)
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

Table 1. Selected bulk sample grades for the 10 Metre and 30 Metre Beach Series.

Diamond Recovery

	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	0.59

Table 2. Recovered diamonds.

Diamond Quality

The Skeleton Coast diamonds are of the highest quality. A representative parcel of 114 diamonds have been classified by recognised South African diamond geologist, Dr Charles Morrison. The parcel from the 10 Metre Beach Series, weighing 17 carats, are typical of the stones which continue to be recovered from Reefton's concessions. The diamonds were;

- 89% flawless,
- 97% colourless to faint yellow, and
- 2% fancy yellow (which attract a premium price).

A suite of 125 of Reefton's diamonds have been examined by Dr Wayne Taylor, a diamond specialist in Australia. The studies showed about 90% of the diamonds exhibit dodecahedral forms with a few diamonds showing excessive wear from erosion and transportation. The characteristics, the high quality and larger size of the diamonds, indicates the likely source to be from kimberlite pipes located inland within the Angolan Craton of Angola and Namibia.

Figure 2. A sample of Reefton's diamonds recovered from the Mowe Bay Sector.

Bulk Sample Processing

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.

Figure 3. Photograph of the processing facility at the Skeleton Coast Diamond Project incorporating Screening unit and DMS Plant.

Resource

The Company plans to calculate a resource for the Skeleton Coast Diamond Project by the end of June 2005.

Mineral Sands

The Company announced the discovery of significant heavy minerals at its Skeleton Coast Project which would be a valuable co-product to diamond production. The diamonds are contained in heavy mineral sands with samples returning 41.3% to 97.6% heavy mineral. Samples were taken over a 22 kilometre length of the Mowe Bay Sector. Applications to include heavy minerals in the concessions have been lodged.

The mineral sands have negligible overburden and are coarse grained with minimal slimes. This would allow simple, cost effective, conventional mining and processing of the sands.

Mineral	Grade (% in ground)		
	Average	**Minimum**	**Maximum**
Garnet	35.2	8.8	68.3
Ilmenite	4.5	0.5	8.2
Rutile	0.3	0.2	0.5
Zircon	2.3	0.6	4.9
Leucoxene	1.3	0.1	4.7

Table 3. Mineral assemblage of samples from the -2mm sand fraction.

The zircon is clean with no iron staining indicating a potential high quality premium ceramic product. This also means the zircon does not need to be subjected to expensive acid leaching to remove the iron to become premium grade which in turn generates acidic effluents with their associated environmental issues.

The garnet is used as a sandblast media. The ilmenite, leucoxene and rutile being titanium minerals are used as feedstocks for the paint pigment industry. Meanwhile the zircon is used primarily in the ceramics industry.

The mineral sands market continues to grow at around 3% per annum with the demand for both zircon and rutile exceeding supply. This obviously presents a significant opportunity for Reefton based on the exploration results returned to date.

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

The project comprises of a group of exploration licenses in Central Namibia with a 150 kilometre strike length and 50 kilometre width. The area covers occurrences and resources of uranium, graphite, monazite, tungsten, gold, tantalum, tin and rutile. Prospects for precious and base metals exist in several geological environments.

The tenements have world class mines in close proximity; the world's fifth largest Uranium mine (Rossing), the world's largest open cut hard rock tin mine (Uis), and the Navachab gold Mine (reserves 5.7 million tonnes grading 1.7 g/t Au, resources 81.6 million tonnes containing 2.8 million ounces of gold).

The Company is currently seeking joint venture partners to farm-in to the project to assist with developing resources.

Graphite

EPL2808 contains a flake graphite deposit. The graphite is believed suitable for the refractories industry.

Rare Earths

EPL2811 contains a rare earths deposit with a 400 metre long mineralised zone of up to 20 metres width containing up to 24.5% monazite (cerium, lanthanum, neodymium oxide).

Al_2O_3	SiO_2	P_2O_5	CaO	TiO_2	Fe_2O_3	ZrO_2
0.157	1.60	27.30	2.00	0.04	6.90	<0.1
La_2O_3	**CeO_2**	**Nd_2O_3**	**Eu_2O_3**	**Lu_2O_3**	**ThO_2**	**U_3O_8**
24.20	27.90	6.85	0.073	<0.002	0.70	<0.01

Table 4. Chemical composition (%) of a representative sample of Eureka monazite.

Reference to Table 4 above shows that the Eureka monazite has a relatively high concentration of Eu_2O_3 at 0.073% by weight, and a relatively low concentration of ThO_2 at 0.7% by weight. The low thorium content makes it attractive as it produces less radioactive waste from processing.

Monazite has a number of applications. The thorium being radioactive can be used as an alternative fuel for nuclear power generation. It is also used in ceramics, magnesium-thorium alloys, refractories and welding electrodes in both separated and non-separated forms particularly due to its high temperature properties.

The Eureka monazite prospect is attractive because of its indication of large resources at depth. Of economic interest is the rather high concentration of Eu_2O_3 at 0.073% mass in the monazite. During the separation and enrichment process the other rare earths will report to the final product.

The proximity of the road and rail system is regarded as very positive aspects for potential mining activity in the area.

Tungsten

EPL2806 contains a formerly mined tungsten deposit which produced about 1,000,000 tonnes of high grade tungsten ore leaving unmined extensions. The mine closed in 1979 due to ore quality issues, labour issues, and a depressed tungsten market.

Tungsten has a number of applications. One of its major uses is in the production of tungsten carbide which is used for cutting tools.

Gold

There are reports of a number of gold showings and occurrences contained within EPL's currently held by Black Range Mining (Pty) Ltd.

Reefton Mining NL (Reefton), the parent company of Black Range, has completed a thorough literature review of the Erongo basin in order to determine the extent of gold showings and occurrences under Black Range's tenements.

Work to be done will detail gold targets related to a Biotite-graphite association in specific marble horizons, pyrrhotite-skarn mineralisation (often associated with magnetic anomalies), shear zones (usually in Kuiseb schists) and sheeted quartz vein arrays. The latter appear to be very important at the adjacent Navachab and were not recognised during the early development and mining.

Tantalite

EPL2808 contains substantial tantalite mineralisation over a 50 km length of the Sandamap-Erongo pegmatite belt.

Exploration Results:

- Wide mineralised pegmatites (up to 300 m wide) have returned high grades of up to 8 lb/t Ta_2O_5 at Sandamap.

- Wide mineralised steeply dipping pegmatites (15 km target length) have returned high grades up to 1.67 lb/t Ta_2O_5 at Sandamap.

- Reconnaissance sampling of alluvial material over the 50 km strike has returned grades up to 1.85 lb/t Ta_2O_5.

- All the pegmatites sampled over the 50 km strike have returned mineralisation.

- Samples from the Sandamap area returned ratios of Ta:Nb = 80:20 which would produce a high grade tantalite concentrate.

Tantalite is used predominantly in the electronics industry and more specifically in mobile phones.

Rutile

EPL2809 contains a formerly mined hard-rock rutile deposit. There is a large deposit of primary rutile hosted by granite.

The rutile market is currently growing at about 3% per annum steady.

Rutile is a titanium feedstock used to produce paint pigment. Rutile is also used to produce titanium oxide for welding rods and titanium metal utilized in the aerospace industry.

DIRECTORS DECLARATION

In the opinion of the Directors of Reefton Mining NL

(a) the financial statements and notes set out in this Report:

  (i) give a true and fair view of the financial position of the economic entity as at 31 December 2004 and performance for the financial half-year ended on that date; and

  (ii) comply with Accounting Standard AASB 1029: “Interim Financial Reporting” and the Corporations Regulations; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.

B S MOORE
Chairman of Directors

Dated this 16th day of March, 2005

REEFTON MINING NL AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Economic Entity	
	31 December 2004 $	**31 December 2003 $**
Revenue from ordinary activities	43,048	54,223
Administrative expenses	(629,622)	(519,148)
Interest expense	(9,181)	(13,455)
Provisions/Reversal	5,733	-
Depreciation expense	(7,961)	(2,694)
Exploration and development written off	-	(33,157)
Other	(25,902)	(16,666)
Loss from ordinary activities before income tax expense	(623,885)	(530,897)
Income tax expense relating to ordinary activities	-	-
Net loss from ordinary activities after related income tax expense	(623,885)	(530,897)
Share issue costs	(278,775)	(95,747)
Net exchange difference on translation of financial reports of foreign subsidiaries	(70,210)	-
Total revenues, expenses and valuation adjustments attributable to members of the Parent Entity and recognised directly in equity	(348,985)	(95,747)
Total changes in equity other than those resulting from transactions with owners as owners	(972,870)	(626,644)
Basic earnings per share (cents per share)	(0.29)	(0.32)
Diluted earnings per share (cents per share)	(0.29)	(0.26)

The accompanying notes form part of this Statement of Financial Performance.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004

	Economic Entity	
	31 December 2004 $	**30 June 2004 $**
CURRENT ASSETS		
Cash assets	1,657,606	243,764
Receivables	70,838	70,514
Inventories	102,699	51,410
Other financial assets	52,133	41,400
TOTAL CURRENT ASSETS	1,883,276	407,088
NON-CURRENT ASSETS		
Other financial assets	47,000	52,000
Property, plant and equipment	760,409	906,498
Other	17,750,952	17,162,625
TOTAL NON-CURRENT ASSETS	18,558,361	18,121,123
TOTAL ASSETS	20,441,637	18,528,211
CURRENT LIABILITIES		
Payables	199,225	212,907
Provisions	4,101	-
Interest bearing liabilities	-	443,915
TOTAL CURRENT LIABILITIES	203,326	656,822
TOTAL LIABILITIES	203,326	656,822
NET ASSETS	20,238,311	17,871,389
EQUITY		
Contributed equity	18,263,271	15,202,254
Reserves	13,733,183	13,803,393
Accumulated losses	(11,758,143)	(11,134,258)
TOTAL EQUITY	20,238,311	17,871,389

The accompanying notes form part of this Statement of Financial Position.

STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Economic Entity	
	31 December 2004 $	31 December 2003 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(616,722)	(796,147)
Interest received	15,775	12,400
Interest and costs of finance paid	(9,181)	(13,455)
Payment for exploration and development	(615,909)	(638,153)
Refunds of tenement rents	-	67,236
Proceeds from sale of geological data	-	10,000
Net cash provided by (used in) operating activities	(1,226,037)	(1,358,119)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of property, plant and equipment	(4,496)	(164,714)
Proceeds from sale of property, plant and equipment	27,273	-
Proceeds from sale of listed investments	-	31,823
Net cash provided by (used in) investing activities	22,777	(132,891)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	3,278,386	1,634,741
Share issue costs	(217,369)	(95,747)
Proceeds from borrowings	-	82,604
Repayment of borrowings	(443,915)	-
Loans repaid by other entities	-	62,899
Net cash provided by (used in) financing activities	2,617,102	1,684,497
Net increase/(decrease) in cash held	1,413,842	193,487
Cash at 1 July 2004	243,764	31,680
Cash at 31 December 2004	1,657,606	225,167

The accompanying notes form part of this Statement of Cash Flows.

NOTE 1: BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Concensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made by Reefton Mining NL and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2004 annual report.

The financial information has been prepared under Generally Accepted Accounting Principles as practised in Australia. The accounting policies and relevant accounting standards utilised in preparing the financial information have been reviewed and it has been determined that no significant difference to the financial information would arise should this information have been prepared under the applicable International Accounting Standards. The reporting disclosures are in accordance with Australian disclosure requirements.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

NOTE 2: LOSS FROM ORDINARY ACTIVITIES

	Economic Entity	
	31 December 2004 $	**31 December 2003 $**
Loss from ordinary activities before income tax has been determined after:		
Expenses		
Depreciation	122,804	88,578
Amount of depreciation capitalised to carrying value of exploration and evaluation expenditure	(114,843)	(85,884)
Write-off of capitalised exploration expenditure	-	33,157
Foreign currency translation losses/(gains)	-	9,823
(Write up) / write down of current investments to net realisable value	(10,733)	(4,907)
Provision for diminution in value – non-current Investments/(reversal)	5,000	(4,000)
Proceeds on disposal of current investments	-	31,823
Carrying amount of current investments	-	(15,750)
Net profit on disposal	-	16,073
Proceeds on disposal of fixed assets	27,273	-
Carrying amount of fixed assets	25,902	-
Net profit on disposal	1,371	-

NOTE 3: EVENTS SUBSEQUENT TO REPORTING DATE

There is at the date of this report no matter or circumstance which has arisen since 31 December 2004 that has significantly affected or may significantly affect:-

(a) the operations, in financial periods subsequent to 31 December 2004, of the Economic Entity constituted by Reefton Mining NL and the entities it controls from time to time;

(b) the results of those operations; or

the state of affairs, in financial periods subsequent to 31 December 2004 of that Economic Entity.

NOTE 4: CONTINGENT LIABILITIES

The Directors are not aware of any material contingent liability as at the date of these financial statements, other than a termination benefit payable to Quadrant Management Pty Ltd with a maximum termination liability under the terms of the management agreement of five percent (5%) of share capital and reserves of the Parent Company which at the date of these financial statements equates to a maximum termination liability of $327,057.

NOTE 5: STATEMENT OF OPERATIONS BY SEGMENTS

During the half-year the Company was involved in mineral exploration activities, corporate and investment activities in Namibia and Australia. There are no inter-segmental transactions.

	Total Revenue		Loss from Ordinary Activities after Income Tax		Total Assets	
Geographical Segments	December 2004 $	December 2003 $	December 2004 $	December 2003 $	December 2004 $	December 2003 $
Australia						
- External customers	43,048	54,223	(612,429)	(461,092)	2,647,084	1,275,944
Namibia						
- External customers	-	-	(11,456)	(69,805)	17,794,553	16,245,830
	43,048	54,223	(623,885)	(530,897)	20,441,637	17,521,774

NOTE 6: EQUITY SECURITIES ISSUED

	2004 No.	2004 $
Issue of Fully Paid Ordinary Shares during the half-year		
Placements of ordinary shares issued at 5 cents per share fully paid (November 2004)	41,000,000	2,050,000
Exercise of options issued at 1 cent expiring 30 November 2009 exercised at 10 cents (December 2004)	2,500	275
Issue / (Exercise) of Options during the half-year		
Issue and placement of Options expiring 30 November 2009 exercisable at 10 cents issued at 1 cent		
- issued pursuant to the Company's non-renounceable issue (August 2004)	60,072,324	600,724
- Issue of shortfall pursuant to the Company's non-renounceable issue (September 2004)	32,741,232	327,412
- placement pursuant to prospectus (October 2004)	30,000,000	300,000
- issued at deemed issue price of 1 cent each in lieu of underwriting fees pursuant to completion of above option issues and placement	6,140,678	61,407
Placements of options expiring 30 November 2009 exercisable at 10 cents issued free attaching to 41,00,000 fully paid ordinary shares referred to above pursuant to prospectuses (November 2004)	20,500,000	-
Issue of options expiring 30 November 2009 exercisable at 10 cents issued pursuant to prospectus and in accordance with Broker Agreement	2,050,000	-
Exercise of options issued at 1 cent expiring 30 November 2009 exercisable at 10 cents (December 2004)	(2,500)	(25)

NOTE 7: ACCUMULATED LOSSES

	Economic Entity	
	31 December 2004 $	**31 December 2003 $**
Accumulated losses at beginning of the half-year	11,134,258	10,808,185
Net losses attributable to members of the Parent Entity	623,885	530,897
Accumulated losses at end of the half-year	11,758,143	11,339,082

NOTE 8: ACQUISITION AND DISPOSAL OF CONTROLLED ENTITIES

The Economic Entity did not acquire or lose control over any entities during the period or the corresponding prior half-year period.

NOTE 9: INTERNATIONAL FINANCIAL REPORTING STANDARDS

For Reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

The Economic Entity has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of IFRS. As the Economic Entity has a 30 June year end, priority has been given to the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as a 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the Economic Entity prepares its first fully IFRS compliant financial report for the half year ending 30 December 2005.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The Economic Entity has not been able to reliably quantify the effects of the differences discussed below. Accordingly, there can be no assurance that the Statement of Financial Performance and Statement of Financial Position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

The key potential implications of the conversion to IFRS on the Economic Entity are as follows:

- It is considered that the new accounting policies for exploration and evaluation will not have a significant impact on the financial statements as a result of the move to AIFRS.
- Financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value. Implications of this on the financial statements is not considered to be significant because there is not likely to be any material impact.
- Income tax will be calculated based on the 'balance sheet' approach, which will potentially result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised as equity. The Economic Entity's deferred tax assets would not presently be recognised using the Probably Test under IFRS and therefore this change is not likely to have a significant effect on the Economic Entity.
- Revaluation increments and decrements relating to revalued property, plant and equipment will be recognised in the Statement of Financial Position and the Statement of Financial Performance. This is unlikely to have a material effect on the Economic Entity.
- Impairments of assets (other than exploration and evaluation expenditure) will be determined on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired. Under the new policy it is unlikely that the impairment of assets will be recognised sooner and the amount of the write-downs will be greater. Reliable estimation of the future financial effects of this change in policy is impracticable because the conditions under which impairment will be assessed are not yet known.
- Under AASB 2 Share Based Payments, the Economic Entity will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity-based remuneration. It applies to all equity-based payments issued after 7 November 2002 which have not yet vested as at 1 January 2005. Although there is presently no equity based remuneration payments made by the Economic Entity, any future adoption of equity based remuneration may result in further employee expenses being recorded in the Statement of Financial Performance. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.
- Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

INDEPENDENT REVIEW REPORT

TO THE MEMBERS OF
REEFTON MINING NL

Scope

We have reviewed the financial report of Reefton Mining NL for the half-year ended 31 December 2004 as set out on pages 12 to 19. The company's directors are responsible for the financial report The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029:"Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Reefton Mining NL is not in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 31 December, 2004 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 1029:"Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Inherent Uncertainty Regarding Carrying Value of Non-Current Assets

Without qualification to the review statement expressed above, attention is drawn to the following matter:

The financial report includes as a non-current asset mining assets of $17,750,952. The ultimate recoupment of this book value is dependent upon successful development and commercial exploitation of the mineral prospects or alternatively sale of the areas of interest for a consideration equal to or greater than book value.

Dated at Perth this 16th day of March, 2005

K. WESTAWAY
PRINCIPAL

K. WESTAWAY & ASSOCIATES

CHARTERED ACCOUNTANTS