

Quarterly Activities Report
Period Ending - December 31, 2005

Highlights

- Bluestone completes construction and commissioning of the Collingwood Tin Project.
- The first saleable concentrates have been produced in late January 2006 and the first shipment is expected to be despatched in early February 2006.
- Tin price recovery commences with spot tin prices rising to US\$7350 (A\$9750).
- Tasmanian Tin Strategy under review with strategic planning for a re-start of operations at Renison, including Mt Bischoff being formulated.
- Significant intercepts of copper were received associated with underground exploration for tin in both the Federal Deeps and North Bassett/ King lode positions. The company is currently reviewing the nature and commercial implications of these. The better results were:

Hole	Intercept North	Intercept East	RL	From	Intercept	%Cu	Comment
U3872	65824	44535	1515	186.9	4.0 m	3.23	Federal Fault lode
U3885	65799	44570	1350	317.0	4.0 m	3.15	Federal Fault lode
U3874	66896	44279	1742	53.0	3.7 m	3.83	Nth Bassett/King
U3879	66927	44627	1760	38.7	18.65 m	4.55	Nth Bassett/King

- The Rentails project continues to advance with positive results from testwork suggesting the process route can be varied and recoveries improved.
- Bluestone has made two new key appointments to the roles of Executive General Manager (Iggy Tan) and General Manager - Collingwood Tin Project (Peter Walker).
- Bluestone successfully completed a 2:5 non-renounceable rights issue at 14 cents per share with a free attaching option, raising a gross \$15.4m. In addition Bluestone shareholders approved the issue of \$13.5m of convertible notes at a general meeting held on Monday, January 30, 2006.

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Corporate

Bluestone Tin Limited advised the ASX on October 3, 2005 that due to a significant fall in spot tin price during the preceding 12 months, it considered it appropriate to place its Renison Tin Project into temporary suspension. The spot tin price at the time was US\$6580 per tonne having traded as low as US\$6335 per tonne.

Bluestone successfully placed the operations on care and maintenance and in doing so crystallised and paid all its creditors, cancelled all its service/supply contracts and retrenched the majority of its employees. The project remains in an advanced state of care and maintenance, pending a re-start at sustainable higher commodity prices.

In recent weeks, the tin price has shown signs of recovery driven by strong consumption and in particular growth in lead free solders. The price has risen to \$US7350 per tonne and shows strong signs of further cyclical appreciation.

Bluestone stated that despite suspending operations at Renison it would continue with the development of its Collingwood Tin Project in Far North Queensland which had its underground mine and Tin Concentrator partially constructed. In addition Bluestone advised it was continuing with works on its Rentails tailings re-treatment project (in feasibility) and approvals to develop its Mt Bischoff Project.

To ensure Bluestone has the financial capacity and capability to achieve these objectives, the Board announced a 2:5 non-renounceable rights issue to shareholders at \$0.14 with a free attaching option to raise a gross \$15.4m and the issue of \$13.5m of Convertible Notes, approved by shareholders at a general meeting held on 30 January 2006. The funds are to be applied to the completion of the Collingwood Tin Project construction, care and maintenance functions of the Renison Tin Project, advancement of the Rentails Project feasibility works, the preparation for the commencement of the Mt Bischoff Project and additional working capital.

The rights issue was underwritten by Southern Cross Equities and was successfully completed in December 2005. Certain Directors of the Company took up their entitlements totalling 40% of the issue.

The Company has significantly bolstered its management capacity as it brings the Collingwood Tin Project online and prepares to work its strategy to re-open Renison. The Company announces the appointment of Mr Iggy Tan as Executive General Manager and Mr Peter Walker as General Manager – Collingwood Tin Project.

Collingwood Tin Project

At the end of the quarter, Bluestone had effectively reached the point of practical completion in the construction of its Collingwood Tin Concentrator. Dry commissioning has been completed and wet commissioning has advanced to the stage of tin concentrate production. Preliminary recoveries and grades suggest the plant will have little trouble achieving expectations. Commercial production set to commence in February 2006.

The plant construction was approximately 6 weeks behind schedule and preliminary estimates are that plant capital and infrastructure estimates were approximately 15% over budget expectations. This was primarily due to the continuing escalating prices of construction materials and the shortage and escalating costs of skilled construction labour coupled. Further, additional fixed costs impacted as a result of time delays.

Refurbishment of the decline adit was effectively complete during the quarter ore driving on the various lodes as well as waste development to set up additional development and stoping blocks continued during the quarter.

Mine production for the quarter is summarised:

Development Tonnes Mined	12,098	tonnes
Development Grade	0.88	% Sn
Total Mine Production	12,098	tonnes @ 0.88% Sn

Alimak rising of a 200m primary vent and egress rise commenced during the quarter and experience poor ground conditions that have severely impacted progress within 50m of the surface. After analysis, decision has been made to drive from the rise out through the side of the mountain to complete the vent and emergency egress. It is expected that this will be completed in the ensuing quarter and remains a critical path as stoping cannot commence until primary egress and vent are established. The mine will be reliant on development ore until this is completed and may not be in a position to feed the process plant at full capacity until stoping commences.

Preliminary performance results received during the wet commissioning taking place at this instance suggest that plant should quickly perform at expected concentrate specifications, throughputs and recoveries.

Renison and Mt Bischoff

Mining and processing operations at Renison were temporarily suspended due to low commodity prices on October 3, 2005.

Production for the few days of October the project operated for during quarter is summarised:

Mining	
Ore Hoisted	3,000 tonnes
Grade	1.50 % Sn
Tin Concentration	
Tonnes Processed	3,327 tonnes
Grade	1.74% Sn
Recovery to Conc.	71%
Conc. Grade	50.6%
Tin Metal Produced	66.53 tonnes
Tin Metal Sales	129.4 tonnes

Bluestone elected to suspend the operations in such a manner that it could re-start the Renison operations at the same capacity and productivity levels it was operating at.

Bluestone has devised a strategy for the recommencement of operations at Renison to occur when the tin price reaches viable levels on a sustainable basis. In operating the project Bluestone has recognised the importance of operating the project at higher capacity from commencement due to the nature of the tin concentrator performance. In particular, the high component of fixed costs and inordinate amount of recirculating load prevents linear scale-back of throughput and hence few options to scale back fixed costs.

As a consequence, to get operating efficiency, the tin concentrator must operate at or near full capacity. The current status of the Renison underground mine is such that it cannot achieve such operating levels in the short term and also without significant advanced capital investment to enable multiple production fronts. Bluestone has invested significant capital into Renison and the mine, before suspension, was approaching a position whereby production in ensuing years could sustain a 400,000 – 500,000 tonne per annum level of production. It is Bluestone's strategy to enhance this productivity with ores from its planned open pit mining operations at Mt Bischoff which a single open pit is targeting production of 250,000 tonnes per annum for approximately 3 years.

This strategy enables the Renison Tin Concentrator to operate at full capacity for the first years of its production and enables significant time to increase productivity from Renison underground mine to operate the plant at full capacity on its own.

In broad terms this strategy is aimed at getting the Renison Project to produce approximately 7,500 tonnes of tin metal per annum from the processing of approximately 700,000 tonnes of ore at a grade of no less than 1.5% Sn.

Bluestone considers a sustainable tin price above A\$10,000 per tonne is required before it implements its re-start plans at Renison.

The last of underground exploration data prior to the suspension of operations was received during the quarter. Again the drilling was successful in returning significant high grade tin intercepts in the down dip Federal Fault system. Of significance in the results is the continued changing mineralogy as the ore in Federal Fault deepens, in particular the significant increase in copper grade to near commercial grades. These good grade intersections appear to have a vertical trend of limited strike length and is considered to be associated with the cross faulting. These cross-faults have been mapped on the surface at the same position.

The last phase of drilling in the North Bassett lodes also intersected good widths of reasonable grade copper associated with the tin ore. Although it is too early to draw conclusions, Bluestone sees these as highly encouraging results.

The better copper intercepts include:

Hole	Intercept North	Intercept East	RL	From	Intercept	%Cu	Comment
U3858	65816	44572	1398	328.8	1.65 m	2.47	Federal Fault lode
U3869	65859	44573	1330	337.0	4.1 m	2.82	Federal Fault lode
U3870	65814	44565	1418	278.35	4.75 m	0.75	Federal Fault lode
U3871	65825	44543	1459	232.0	2.7 m	1.66	Federal Fault lode
U3872	65824	44535	1515	186.9	4.0 m	3.23	Federal Fault lode
U3885	65799	44570	1350	317.0	4.0 m	3.15	Federal Fault lode
U3874	66893	44261	1758	22.6	20.1 m	0.9	Nth Bassett/King
U3874	66896	44279	1742	53.0	3.7 m	3.83	Nth Bassett/King
U3875	66896	44265	1764	28.9	9.85 m	1.68	Nth Bassett/King
U3876	66878	44272	1741	37.65	17.15 m	0.93	Nth Bassett/King
U3878	66905	44258	1756	25.0	7.0 m	1.35	Nth Bassett/King
U3879	66927	44627	1760	38.7	18.65 m	4.55	Nth Bassett/King

At Mt Bischoff, Bluestone continues to work on plans to recommence mining and get approvals for the mining to commence. In particular, the Company is focussed on acid mine drainage issues assessment and mitigation strategies.

Rentails

During the quarter, Bluestone continued to advance its Rentails Project with additional and more selective metallurgical test-work aimed at finessing the tin concentration phase being completed.

The pilot plant floatation test-work on Renison Plant streams commenced in the September quarter were completed and approximately 5 tonnes of floatation concentrates were collected for additional gravity and floatation works.

Metallurgical test-work to date has determined that recovery of tin after the rejection of sulphides is approximately 80%. The primary objective of the process after the rejection of sulphides is to increase the grade of tin by concentrating prior to tin fuming. This can be achieved either through floatation or gravity processes or by applying a combination of both.

Previous floatation test-work conducted by Beak Consultants of Germany determined that a tin concentrate of 13.8% Tin and 0.88% MgO could be achieved, and it was concluded that Bluestone's recovery assumptions were achievable. During the quarter, Bluestone conducted additional test-work to verify the German results and to further evaluate the Rentails flow-sheet through locked cyclic floatation testing. The locked cyclic testing did not achieve the desired results and further floatation optimisation test-work is required. However, this test-work did conclude that the results from Beak were achievable.

Metallurgical test-work conducted by Bluestone using gravity methods has also indicated that grades of over 20% tin can be achieved after sulphide rejection. During the ensuing quarter, Bluestone will validate this using an ultra fine Falcon laboratory concentrator which is designed to treat ultra fine material such as the Renison tailings. A series of tests will be conducted with the objective of determining the potential for high gravity concentrators to play a critical role in the grade and recovery within the tailings concentration path.

In addition, Bluestone commissioned test-work during the quarter on use of magnets prior to gravity processes. This work demonstrated that recoveries of the very fine tin (less than 20 micron) could be increased by 5 - 8% after exposure to strong magnetic fields which results in further flow-sheet options.

It is anticipated that during the next couple of months that additional test-work to optimise floatation and gravity recovery will result in determination of the optimal flow-sheet for the Rentails project prior to conducting a final feasibility study.

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Bluestone Tin Limited

ABN

25 110 150 055

Quarter ended ("current quarter")

31 December 2005

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date \$A'000
1.1 Receipts from product sales and related debtors	2,431	10,485
1.2 Payments for (a) exploration and evaluation	(39)	(154)
(b) development	(4,515)	(9,219)
(c) production	(9,239)	(18,195)
(d) administration	(465)	(1,002)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	44	180
1.5 Interest and other costs of finance paid	(119)	(152)
1.6 Income taxes paid		
1.7 Other (provide details if material)	6	64
Net Operating Cash Flows	(11,896)	(17,993)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(4,487)	(12,082)
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)		
Net investing cash flows	(4,487)	(12,082)
1.13 Total operating and investing cash flows (carried forward)	(16,383)	(30,075)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(16,383)	(30,075)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	15,476	15,476
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	4,150	4,150
1.17	Repayment of borrowings	(48)	(122)
1.18	Dividends paid		
1.19	Other – (capital raising costs)	(819)	(819)
	Net financing cash flows	18,759	18,685
	Net increase (decrease) in cash held	2,736	(11,390)
1.20	Cash at beginning of quarter/year to date	3,603	17,369
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	5,979	5,979

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	133
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

The YTD development expenditure relates to underground capital development. The majority of the plant & equipment expenditure for the quarter relates to the pre-production construction at the Collingwood Tin mine in Queensland.

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

- 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

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	1,757	1,757
	Related Party Loan	4,150	4,150
3.2	Credit standby arrangements (Rehabilitation Bond)	3,000	3,000

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	15
4.2	Development	620
Total		635

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	5,979	3,603
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		5,979	3,603

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	Nil		
6.2	Interests in mining tenements acquired or increased	Nil		

+ See chapter 19 for defined terms.

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 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	386,890,003	310,517,501		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	110,540,000	110,540,000	14 cents	14 cents
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	110,540,000 5,332,500 10,667,500 1,350,000 2,290,000	110,540,000	<i>Exercise price</i> 20 cents 25 cents 25 cents 30 cents 30 cents	<i>Expiry date</i> 31/12/2008 30/06/2009 30/06/2009 30/06/2006 30/06/2008
7.8 Issued during quarter	110,540,000	110,540,000	20 cents	31/12/2008
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <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 Act or other standards acceptable to ASX (see note 4).

2 This statement does ~~does not~~* give a true and fair view of the matters disclosed.

Sign here: **P G Cook** Date: 31 January 2006
(Director)

Print name: PETER GERARD COOK

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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+ See chapter 19 for defined terms.