



# Cluff Resources Pacific NL

ABN 72 002 261 565

Monday 22<sup>nd</sup> November 2010

**The Manager (Companies)**  
**Australian Securities Exchange**  
**Sydney**

Dear Sir,

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**CLUFF CONFIRMS A JOINT VENTURE WITH VARUN FOR 35% OF THE PRODUCTION OF A GOLD MINING (EXPLOITATION) LICENCE AND A GEMSTONE MINING (EXPLOITATION) LICENCE IN MADAGASCAR**

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The Directors of Cluff Resources Pacific NL (Cluff) are excited to announce today that the company has entered a production sharing joint venture (JV) with Varun Madagascar to mine both gold and gemstones from two highly prospective adjacent exploitation (production) tenements in Madagascar. The joint venture also includes other promising exploration areas for gold and platinum. Confirmation of this project and relationship with Varun represents a major turning point in the history of Cluff. The company will work enthusiastically to develop this opportunity and maintain the momentum of its new strategic focus.

The joint venture provides for a production share of all minerals and metals produced on the tenements of 35% to Cluff and 65% to Varun.

## SUMMARY HIGHLIGHTS

- New gold JV with 35% of the production to Cluff in Madagascar
  - Gold currently being produced from the tenement
  - Gold in quartz vein exposed at the surface
  - Good topography for ease of access and development
  - Stage 1 trenching designed to produce gold
  - No modern investigation has ever taken place
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- Cluff directors and geologist in Madagascar examining part of the gold bearing quartz vein exposed along a 1 km strike on EL 39110 currently being worked by local villagers*
- Cluff's contribution is 75% of the first US\$3.4 million (being US\$2.55 million) to be invested in the ground
  - No up front fees payable or share issues required to enter into the JV
  - All pre-JV costs to be recovered by Varun from its 65% share of production

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**Cluff director Ian Johns observes gold panning by local villagers on EL 39110**

### **Structure of JV Agreement**

The agreement provides for an initial two stage program whereby in stage 1 with a budget of US\$400,000 Cluff will contribute US\$300,000 and in stage 2 a budget of US\$3,000,000 where Cluff will contribute US\$2,250,000.

Thereafter each company will assume 50/50 responsibility for any finance arrangements required to progress to large scale mining and the upgrading of stage 1 and 2 processing equipment.

### **Development Plan**

The topography of the area will support a large open cut mine along the strike line of the quartz vein.

The staged exploitation of the gold bearing quartz vein is expected to be relatively easy in the short and medium terms as the JV will be able to undertake some initial extensive trenching along the currently exposed workings. This may be expanded to a large open cut mine and thereafter it is probable horizontal tunnelling from the valley below will permit cost effective access before there would be any need for vertical access shafts. Our direct observation of the vein shows it approximately 2 metres wide in the local workings and dipping away to the east at about 65 degrees.

An initial diamond and RC drilling program is planned to confirm the extent of the gold and the necessity to plan for large scale mining. Further comprehensive drilling and modelling of the gold vein is planned for stage 2. Cluff will finalise its timetable as soon as equipment supply and shipping dates have been confirmed. Importantly our program is not expected to be affected by the normal wet season as it is located in a very dry region of the country.

Local villagers have recently been extracting gold by hand at shallow depths over a 1 kilometre line. With significantly improved conditions, we expect a large number of these local villagers to be employed by our commercial operation as part of the joint venture.

Due to reporting restrictions Cluff cannot make any resource estimates at this stage, however as a result of our observations on the ground (including the viewing of physical gold) the directors are very confident that production will take place in stage 1 and it is anticipated that such production will be highly profitable.

The gold project (tenement licence 39110) is located approximately 1 kilometre from an existing well made track which is less than 5 kilometres from an all weather sealed road. This road is continuous to the nearest port facility.

The mining permits for the quartz gold tenement and gemstone tenement have both been issued for 20 years.

Our examination of the geology of the tenement and the gold bearing quartz intrusion has led us to target other areas of equal interest on the ground in the first 6 months of the project for further detailed examination.

The highly promising sapphire in host rock deposit located on tenement 35571 has been somewhat overshadowed by the adjacent gold tenement, but remains a highly exciting project. Varun's initial samples yielded several very large gem quality stones amongst a significant quantity recovered. No stone valuations have been made, however these samples indicate strong prospects for a standalone project. Significant demand and opportunities are available to any operation that can produce good quality large gemstones.

Drilling and pits are planned for this site which we expect to lead to an early test production open cut mine. Valuations on the stones will be sought once a sufficient sample has been recovered.



**Sapphires in host rock on EL 35571**

Cluffs extensive gemstone mining experience will prove an advantage for this tenement. Varun's marketing expertise and Cluffs existing networks could make a value adding business model a beneficial addition to this project.



**3D Map of ELs 35571 and 39110**

As a secondary focus, Cluff will also be exploring an alluvial gold and platinum prospect in the Fort Dauphin area of Southern Madagascar.

### **Collaborative Partnering for Success**

Cluff's joint venture partner, Varun Madagascar has well established relationships with the government of Madagascar, (see <http://www.varunmadagascar.com>) and will assist the joint venture to manage its relations with the government at local and national levels. Cluff directors have observed and are impressed with Varun's well organised and committed team in Madagascar.

Varun Industries, (see. [www.varun.com](http://www.varun.com)) is a highly successful global conglomerate and is well placed to support, fund and drive its Madagascan interests. Varun is heavily committed with extensive oil, gas, iron ore and uranium projects in Madagascar and is pleased to be partnering with Cluff to develop its gold, platinum and gemstone projects. Cluff is also pleased to be partnering with such a well established JV partner and is confident further exciting opportunities will stem from this relationship.

In October 2010, Messrs Ashcroft and Johns (two directors of Cluff) and Mr Bevan (employed geologist) inspected the areas the subject of the joint venture with executives of Varun. Finalisation of the joint venture then took place between Cluff's Chairman Peter Ashcroft and the principals of Varun in India over the past weekend. The joint venture agreement was signed and exchanged between Cluff and Varun in Mumbai on Saturday 20<sup>th</sup> November 2010. Both parties expressed their commitment and excitement at the formal establishment of the joint venture.

Cluff will be committing its project management skills and expert geological technical team to the project, along with its vast experience in the installation and operation of processing plants and mining equipment, and associated logistical issues. Cluff will also bring to the joint venture its enviable environmental management record and proven expertise.

**Varun has agreed to give Cluff first right of refusal for any further gold, platinum and gemstone projects it can secure in Madagascar.**

By world and Australian standards Madagascar mining prospects have been significantly under explored.

Cluff's joint venture with Varun not only delivers immediate value to the Company, the strategic partnership has also created a substantial opportunity to secure a future of sustainable growth.



*Madagascan countryside in the vicinity of the sapphire deposit on EL 3551*

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Yours faithfully,



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Company Secretary / Executive Director