



Cluff Resources Pacific NL

ABN 72 002 261 565

Wednesday 24 November 2010

Companies Manager
Australian Securities Exchange
Sydney

Dear Sir,

Madagascar Sparkles for Cluff

Cluff has a new strategic direction focused on exploration and production of gold and gemstones in Madagascar in association with Varun Madagascar. A joint venture signed by Chairman Peter Ashcroft in Mumbai on Saturday November 20, is a 35% interest in production from a 20 year Exploitation Licence 35571 which contains a deposit of large sapphires and rubies in host rock.

SUMMARY HIGHLIGHTS

- **New major source of Sapphires and Rubies in host rock**
- **Certified 29 carat ruby found**
- **Joint venture agreement signed providing for 35% of production to Cluff**
- **Good access and low cost production**
- **Deposit near the surface**
- **Increasing demand for semi precious stone throughout Asia**
- **Cluff not required to provide up front fees**
- **All contributions only on exploration and pre-production program**
- **Test sales and marketing already underway**
- **Strategic alliance with Varun**

Test sampling has taken place over recent months with three rubies, the largest being over 29 carats (photo below with an Indian 2 rupee coin) (copy of the independent analysis certificate is attached). A number of large gem quality stones have also been provided to cutting firms in Jodhpur for further examination, consideration and possible costs for the production of high end jewellery, both traditional and modern in design.



29 carat rough ruby from EL 35571

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Cluff directors are excited with the potential of providing a low-cost production mine in the short and medium term. Although the corundum (which grades from rich blue and purple sapphire to rich red ruby within the deposit) is located in host rock, the rock is friable and relatively soft to at least 15 metres depth and the sapphire and ruby is relatively easy to extract without any residual damage.

Cluff directors, Peter Ashcroft and Ian Johns with the Cluff in-house geologist Rhys Bevan visited the area from which the sapphires (referred to above and below) were extracted in early October 2010.

Cluff has developed a strategy to delineate the area of the deposit on the surface together with some pitting to 10 metres depth to extract gem quality stone for further assessment and grading. Production costs are low in Madagascar. The following photos are two further samples of sapphire crystals in the host rock. Both samples were extracted from a sample pit within the licence



Large Blue-Purple Corundum Crystals (sapphires) in Host Rock from EL 35571

While the price of sapphire has seen many of the Australian sapphire fields suspended from production there remains an increasing demand for the stone in Asia, particularly India and China. The Cluff directors believe this deposit will meet market demands.

The vast majority of semi precious gemstones are cut and polished in either India or Thailand. The joint venture with Varun is pivotal as excellent sales, marketing, cutting and polishing connections in the Indian gemstone industry becomes a major asset for Cluff.

EL 35571 is part of the Varun Cluff Joint Venture that requires Cluff to spend 75% of US\$3.4m (Cluff share equals US\$2.55m) in order to earn an ongoing share of production. This expenditure includes the gold quartz vein budget on EL 39110 referred to in our release dated 22 November 2010. After completing this expenditure and arranging financing of Stage 3, being a pilot plant for the gold permit, Cluff will earn a 35% interest in the production from EL 35571 as well as all other permits which are the subject of the joint venture.

The Cluff directors are confident of funding Stage 1 of the program (US\$300,000) and thereafter securing the support of the market to fund stage 2 and beyond.

The board has spent some months getting to know our new partners and has confidence that we can work together productively and honestly for our mutual benefit. We have established excellent working relations with the board and senior management of Varun in India and the Varun management in Madagascar.

Last Saturday in Mumbai, Peter Ashcroft signed a formal joint venture agreement with Varun in its offices in Mumbai.



**Peter Ashcroft and Mr Kiran Mehta, Chairman of Varun
exchanging the Varun-Cluff Joint Venture Agreement**

The directors are looking forward to producing gemstones from EL 35571 and gold from EL 39110 in the near future.

For further information contact:

Scott Enderby on Phone (02) 9247 2277

Email: Cluff@bigpond.com

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Scott Enderby', with a long horizontal line extending to the right.

Scott Enderby,
Company Secretary / Executive Director

GEMMOLOGICAL INSTITUTE OF INDIA™

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GEMSTONE REPORT

DR. DURANDHAR



1003599-2-8404-1

Date : 16/01/2010

On receipt of your letter, we undertook testing and identification of the Gemstone / Mineral entrusted to us/our representative at our Laboratory. The results obtained are given below :-

Weight in cts	: 29.110 Cts
Mounted or Unmounted	: UNMOUNTED
Colour	: RED OPAQUE)
Type of cut & Dimensions	: ROUGH
Hardness	: 9.00
Specific Gravity	: 3.99
Microscopic Examination	: CRYSTAL SYSTEM AND SURFACE MARKING TYPICAL OF CORUNDUM



IDENTIFICATION

NATURAL CORUNDUM (RUBY)

(Handwritten signature)
K. T. Rameshwaran, F. G.A.

(Gemmologist)

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Since the mineral sample is returned herewith, this report is subject to the terms and conditions and comments set forth on the reverse.