

QUARTERLY REPORT FOR PERIOD ENDING 31 MARCH 2011

HIGHLIGHTS:

- **INDEPENDENT LABORATORY RESULTS CONFIRM HIGH GRADE OF GOLD SAMPLE FROM VATOVORONA GOLD PROJECT IN MADAGASCAR**
- **INITIAL WORK PROGRAMS APPROVED FOR MADAGASCAR ACTIVITIES**
- **224 CARAT RUBY CRYSTAL CONFIRMED**
- **DRILLING PROGRAM TO COMMENCE ON NSW TIN PROJECTS**

1. MADAGASCAR JOINT VENTURE (Cluff earning 35% upon meeting expenditure requirements)

Results of laboratory testing: large gold sample

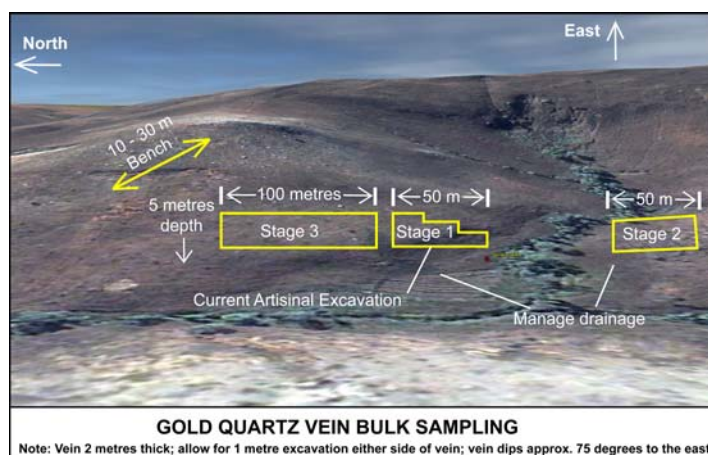
In late January, a 565 kg sample was taken at the Vatovorona Gold Project in central Madagascar, and shipped to ALS Amtec laboratories in Perth in order to undergo extensive testing for both gold content and the suitability of this material for processing.

Chairman Peter Ashcroft witnessed gold being panned from part of this sample when it was collected: a small 1 kg sample yielded 6 gold grains from panning in a fairly rudimentary wooden panning bowl.

The material comprised a bulk composite sample of gold-bearing quartz and weathered country rock which was being extracted by artisanal miners who had been hand-mining the quartz veins in the area, as well as numerous grab samples taken from around recent near surface workings. The majority of the sample was extracted at one location on the licence at a depth of about 7 metres.



The small test sample being panned on the permit



On the 7th of March the company advised that ALS Laboratories confirmed a high grade gold result in the first analysed samples from the sample. The attached certificate (appendix 1) disclosed gold assays in this sample of between **16.50 grams per tonne (g/t)** and 9.04 g/t whilst **the average grade was 12.30 grams per tonne**. Chairman Peter Ashcroft stated: 'We are very excited with this result, which confirms the enormous potential of this project'. A further check analysis from ALS by screen fire assaying also confirmed the average grade to be 12.3 grams per tonne.

The entire sample was then handed over to Ammtec, where it underwent a series of complex and comprehensive analytical tests designed to determine its suitability for various means of processing. In late March the company was verbally advised by Ammtec that initial tests for organic carbon and sulphides within the sample revealed an absence of both: a very positive result, indicating gold recovery will not be hindered or complicated by these elements (which are known for their complicating influence), and prospects of maximising recovery using standard processing techniques are therefore very good.

On the 20th of April the company received the final report on the sample from Ammtec, which indicated that the prospects for proceeding to trial mining on the Vatovorona Gold Project were excellent, both from a high grade and ease of processing perspective. Highlights of the report were as follows:

1. The gold head assay of the sample was calculated at 12.3 grams per tonne.
2. The gravity recoverable gold (GRG) content of the overall sample was very high (92.55%)
3. The majority of the GRG was coarse as seen by the high gold recovery (82.28%) in the 850 micron stage.
4. A further 10.01% of the gold in the sample was collected as GRG in the 212 micron stage.
5. The remainder of the gold content (up to a total of 99.9% total recovery) is recoverable via cyanide leaching.
6. Gold dissolution kinetics were moderate with the cyanidable gold content being solubilised within 24 hours from the start of cyanidation leach processing.
7. The total recovery of gold in the Overall Composite was extremely high, with 99.9% of total gold being recovered with the combination of GRG testwork and direct cyanidation of the GRG tailings.

The company regards the results detailed in the report to be very encouraging. In particular, the opportunity to recover the majority of gold in a concentrate from the vein material at the Vatovorona Gold Project using cost-effective means of crushing, processing and recovery must be regarded as a major positive.

The company has been investigating processing equipment options with plant and equipment manufacturers since our first announcement on the suitability of the rock materials for processing. Considerations such as rock type and wear and tear on machinery and parts, energy efficiency, processing time and security of product are all of major importance. OH & S standards must also be maintained.

Small laboratory scale "Knelson" concentrators were used at Ammtec for the GRG stages, indicating that a centrifugal concentrator system would be more than adequate to recover a high yield concentrate. Research is being conducted regarding this style of processing being successfully implemented in Madagascar. Crushing the raw material to a very small size is not necessary, indicating that the use of high energy-consuming crushing equipment such as ball mills is not essential. With crushing to 0.2 mm via less intensive means, utilising a jaw crusher followed by a Vertical Shaft Impactor (VSI) for example, processing times and complexity of processing will be greatly reduced, and the costs of processing minimised.

In late April, the company also announced that it had received governmental approvals to proceed with its initial open pit on the Vatovorona Gold Project, located on exploitation licence 39110.

The operator of the project, Varun Cluff International SARL (VCI), received a preliminary environmental approval to permit the Stage 1 activities of constructing an access track to the proposed pit site, excavate the exploratory pit, and all initial ancillary requirements such as locating a camp and accommodation on the site.

VCI has engaged an environmental consultant to complete a more comprehensive study (EIE) for submission and final approval. This EIE will focus on both physical and cultural impacts of the proposed development. Cluff and its joint venture partner have been engaged in positive dialogue with the local communities for some time now. Chairman Peter Ashcroft will again be in Madagascar in late April, and will be visiting the local administrators and local villagers as part of this program. Cluff is committed to undertaking all developments in a socially responsible and sustainable manner, and will be seeking to employ as many local workers as possible.

Mr Ashcroft said "We are planning for this project to extend for many years and the co-operation of the local communities, both those in the immediate vicinity and those in more regional areas is extremely important. We are discussing with local leaders how we can assist their communities now and into the future."

The company looks forward to continuing the development of the Vatovorona Gold Project.

Gold Development Plan

Cluff is currently finalising the plans and the contract for a mechanised trenching program for 100 to 150 metres north from the location of the sample for the next 3 months to test the extent and grade of the deposit. Local artisanal miners, who have been excavating the target zone by hand over 1½ kilometres for the past 12 months, have now been moved off the permit. At the conclusion of the trenching program Cluff intends to undertake an extensive drilling program to delineate the high grade target zone.

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

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.

Confirmation of 224 Carat ruby crystal

In late February the company advised that an independent gemmological consultant has confirmed that one of the gemstone crystals collected by Peter Ashcroft on the January Madagascar trip is a large crystal of corundum (variety ruby) and weighs 224.06 carats (44.81 grams). The stone was excavated from **production licence 35571** in which Cluff will have a 35% interest after the conclusion of the current expenditure commitment. A copy of the gemstone authentication report is attached to this report (Appendix 2)



Two other gemstone authentication reports (also attached to the report in Appendix 2) confirmed an 89.66 carat (17.93 grams) corundum crystal (variety sapphire) of a purple hue, and the other confirmed a purplish-blue sapphire crystal still contained in its host rock matrix, which featured garnet crystals and was comprised of limestone and mica. Cluff has arranged to have a sample of this matrix material assayed to determine whether it may contain any other minerals of value.

50% of the world's known sapphire reserves are contained in Madagascar but production has been falling for the past two years. This new discovery presents as a major

opportunity for the joint venture to secure existing infrastructure and local labour expertise. Until further assessment it is not possible to predict or advise with certainty the gem quality of the stones.

Cluff will proceed after the wet season to a program to expose the sapphire bearing rock and to map its extent on the licence. The stone shown in this release was excavated by hand from a shaft up to 50 metres in depth.

About Varun

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) 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.

2(a). BINGARA DIAMOND PROJECT (Cluff 100%, Atlantic Gold 10% NPR, reducing to 5%)

Throughout the quarter the company continued various strategies for further developing its knowledge of the diamond geology, whilst undertaking a major internal restructuring of its exploration program management and reduction of ongoing costs.

Geological mapping of the surface of EL 3325 was completed over the remaining proportion of the main Bingara area, and the information gathered from this extensive survey is being entered into the company's digital terrain model.

The services of Dr Julian Hollis continue to be retained and his new hypothesis on the formation and emplacement of diamonds at Bingara (covered in the last quarterly report) is being used in interpreting the structures and patterns which are becoming apparent as the company develops the 3D modelling aspects of the dataset.

2(b). COPETON DIAMOND PROJECT (Cluff 100%)

During the quarter the company completed the process of selling all of the plant and equipment which was no longer required, and also completed the activities centred on regenerating and securing the former Copeton processing site. With internal restructuring activities and compilation of historical data underway, the remainder of useable data files and technical equipment from Inverell have been relocated to the head office in Sydney, where it is planned to utilise the information and equipment in planning future exploration on these tenements..

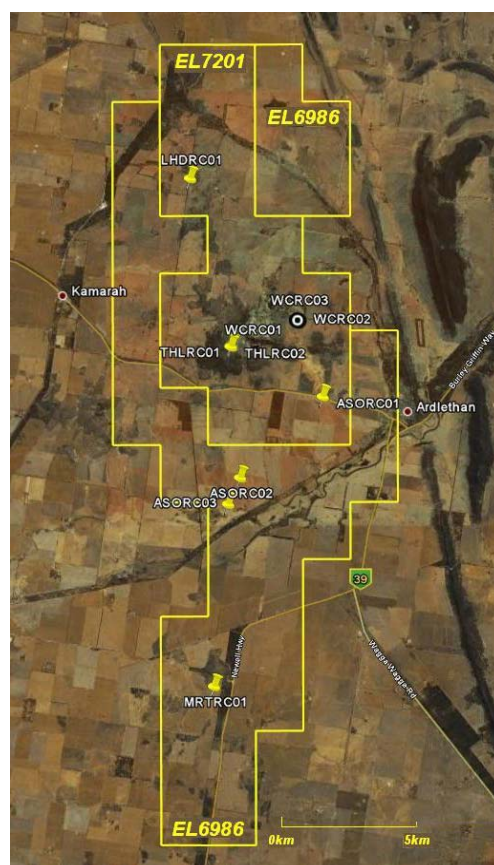
3. TIN (Cluff 100%)

Tin has continued to maintain its extraordinary 30-year price highs, recently reaching over \$US 34,000 per tonne during the quarter. This is approximately three times its value when the company acquired the tenements.

The company has recently advised it been in negotiations with various parties to determine whether there would be enough benefits to shareholders in proceeding to joint venture some or all of its tin prospects. As a result of these discussions, and in view of the continued strong price performance, it has been determined that it would be more beneficial to continue exploration activities on the tin tenements whilst retaining control.

Cluff recently announced that it had entered into a drilling contract for 1000 metres of RC drilling on exploration licences 6986 and 7201, located in the region of Ardlethan in central NSW. The program is primarily targeting Induced Polarisation (IP) anomalies on these tenements, at locations which were first identified as having 'intermediate' to 'high and strong' chargeability in an IP survey conducted by the Shell Company of Australia (Minerals Division) in 1979. These areas are considered to be highly prospective in a region which has already been proven to contain world-class deposits of tin and other minerals, however have not yet had modern exploration techniques applied to them.

Demand for tin has remained strong and so whilst there is pressure on inventories there is little likelihood of any substantial fall in the price and indeed the indications are more positive for further increases. Cluff's drilling program has specified 10 hole locations, shown on the map at right (yellow pins). Material extracted from the holes will be sent to ALS laboratories for detailed analysis.



Drilling is scheduled to commence in the last week of May 2011, unless the contractor's drilling schedules are rearranged to commence earlier. Assay results are anticipated by early July.

Background: Following an agreement made in 2007, Cluff holds the hard rock rights to the underground hard rock resources beneath the Ardlethan Tin Mine. The Ardlethan Tin Mine produced in excess of 31,500 tonnes of metallic tin during the period 1912 to 2004, and from 1961 to 1986 was owned and operated by Aberfoyle Tin NL. The Tin produced from these leases to date would be valued at over \$A 1 billion dollars at current prices.

4. EGERTON GOLD (Cluff earning up to 75% from Tech-Sol Pty Ltd)

The Company continues to maintain its gold tenements in Victoria.

While the gold price continues to hold at record levels, the prospectivity for gold is at an all-time high throughout the exploration community. The Company has noted the re-invigorating of exploration over previously discarded regions throughout the Victorian region.

Later in 2011 the Company proposes to revisit and continue drilling its 450-metre deep drillhole on Mount Egerton, This drillhole aims to cross the quartz reef structure below the historic workings of the Egerton Gold Mine at around 600 metres RL, in order to verify that the gold grades reported from this mine continue at depth (grades between 6 and 12 grams/tonne have been outlined previously below old workings of the Black Horse and the Egerton Mines, the two largest (and interconnected) former mines on the Egerton Goldfield in Victoria).

5. RUBY MINE (Cluff 100%)

More work has been undertaken on the remediation plan to finalise the tenement requirements prior to relinquishment. Remaining equipment will be removed during the current quarter and contractors will be utilised for earthworks to ensure the completion of all exploration and mining activities.

6. INDIA

With discussions continuing during the quarter, the company remains positive that the terms of an economically viable joint venture in India will be completed in the near future.

7. FINANCE

Funds totalling \$426,000 were realised from a placement of 142,000,000 shares at \$0.003 per share to sophisticated investors. The placement was completed on the 3rd of February 2011.

A clearing sale of remaining equipment to in February realised a net return of \$4,690.48 after the costs of the clearing sale were deducted from proceeds. The closure of the regional office and the cessation of full-time employment of staff there is providing significant ongoing cost savings.

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Yours faithfully,



Scott Enderby,
Company Secretary
29 April 2011