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This document constitutes an admission document drawn up in accordance with the AIM Rules. This document does not constitute a prospectus for the purposes of the Prospectus Rules and a copy of it has not been, and will not be, reviewed by the FSA nor the UK Listing Authority. If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

The Company and the Directors, whose names appear on page 5 of this document, accept responsibility for the information contained in this document including collective and individual responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document.

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. It is emphasised that no application has been made or is being made for admission of the Enlarged Share Capital to the Official List of the UK Listing Authority. The Ordinary Shares are not traded on any recognised investment exchange and no application has been or is intended to be made for the Enlarged Share Capital to be admitted to trading on any such market. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM on 22 May 2012.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.**

The attention of prospective investors is particularly drawn to the section entitled "Risk Factors" set out in Part II of this document and all statements regarding the Company's business should be viewed in light of these risk factors.

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## CLUFF NATURAL RESOURCES PLC

*(Incorporated in England & Wales with Registered Number 07958581)*

**Placing of 75,000,000 new Ordinary Shares at 5p per share and placing of 37,500,000 Warrants to subscribe for new Ordinary Shares and Admission to trading on AIM**

**Nominated Adviser**

**Broker**

**Shore Capital and Corporate Limited**

**Shore Capital Stockbrokers Limited**

Enlarged Share Capital immediately following Admission

*Number of Ordinary Shares*

*Nominal Value*

87,000,000

£435,000

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The Placing Shares will, on issue, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions deemed, made or paid after the issue of the Placing Shares.

Shore Capital and Corporate Limited ("SCC"), which is authorised and regulated in the United Kingdom by the FSA, is the Company's nominated adviser for the purposes of the AIM Rules in connection with the Placing and Admission and, as such, its responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person or entity in respect of his reliance on any part of this document. Shore Capital Stockbrokers Limited ("SCS"), which is authorised and regulated in the United Kingdom by the FSA and is a member of the London Stock Exchange, is the Company's broker for the purposes of the AIM Rules in connection with the Placing and Admission. SCC and SCS are acting for the Company and no one else and will not be responsible to any other person for providing the protections afforded to customers of SCC and SCS nor for providing advice in relation to the contents of this document or any matter referred to herein. No representation or warranty, express or implied, is made by SCC and SCS for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible.

The distribution of this document outside the UK may be restricted by law and therefore persons outside the UK into whose possession this document comes should inform themselves about and observe any restrictions as to the Ordinary Shares or the distribution of this document.

This document does not constitute an offer to sell or the solicitation of an offer to buy Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States, Canada, the Republic of South Africa, Australia, the Republic of Ireland or Japan, except pursuant to a relevant exemption. The Ordinary Shares have not been and will not be registered under securities legislation of any province or territory of the United States, Canada, the Republic of South Africa, Australia, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities law or regulations. Accordingly, subject to certain exemptions, the Ordinary Shares may not be offered or sold directly or indirectly in or into the United States, Canada, the Republic of South Africa, Australia, the Republic of Ireland or Japan or to any national, resident or citizen of the United States, Canada, the Republic of South Africa, Australia, the Republic of Ireland or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdiction.

Prospective investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company, the Directors, SCC or SCS. Without prejudice to the Company's obligations under the AIM Rules, neither the delivery of this document nor any subscription made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company since the date of this document or that the information contained in this document is correct as of any time subsequent to the date of this document. Neither SCC nor SCS has not authorised the contents of this document and, without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by SCC or SCS as to the contents of this document and no responsibility or liability whatsoever is accepted by SCC or SCS for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document, for which the Company and the Directors are solely responsible.

The Ordinary Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States. Consequently, none of the securities may be offered or sold or otherwise transferred within the United States, or to, or for the account or benefit of, US Persons except in accordance with the Securities Act or an exemption therefrom. Subject to certain exceptions, this document should not be distributed, forwarded, transferred, copied or otherwise transmitted to any persons within the United States or to any US Persons.

## IMPORTANT NOTICE

**Investors should take independent advice and should carefully consider the section of this document headed “Risk Factors” before making any decision to purchase Ordinary Shares.**

**Investment in the Ordinary Shares will involve significant risks due to the inherent illiquidity of the underlying investments and should be viewed as a long term investment. The Ordinary Shares may not be suitable for all recipients or be appropriate for their personal circumstances. You should carefully consider in the light of your financial resources whether investing in the Company is suitable for you. An investment in the Ordinary Shares is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise (which may be equal to the whole amount invested).**

THE ORDINARY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “1933 ACT”), OR ANY US STATE SECURITIES LAWS. THE SHARES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE 1933 ACT) UNLESS THE ORDINARY SHARES ARE REGISTERED UNDER THE 1933 ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE 1933 ACT IS AVAILABLE. THE COMPANY HAS NOT REGISTERED AND WILL NOT REGISTER UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “1940 ACT”).

The Ordinary Shares have not been approved or disapproved by the United States Securities and Exchange Commission (the “SEC”), any US state securities commission or any other regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this document. Any representation to the contrary is unlawful. The Ordinary Shares will be offered and sold in the United States: (i) to qualified institutional buyers within the meaning of Rule 144A under the 1933 Act (“QIBs”) that are also qualified purchasers within the meaning of Section 2(a)(51) of the 1940 Act (“QPs”) or to “accredited investors” as defined in Regulation D under the 1933 Act (“Accredited Investors”) that are also QPs; and (ii) in accordance with any applicable laws of any US state. The Ordinary Shares will also be contemporaneously offered and sold outside the United States to non-US Persons pursuant to the requirements of Regulation S under the 1933 Act (“Regulation S”). The Ordinary Shares cannot be offered, resold, pledged or otherwise transferred in the United States or to US Persons except in accordance with the restrictions and procedures set forth in paragraph 21 of Part I of this document entitled “Selling Restrictions”.

NOTICE TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

SCC has been appointed as nominated adviser and SCS has been appointed as broker to the Company. In accordance with the AIM Rules for Nominated Advisers, SCC has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules for Companies and that, in its opinion and to the best of its knowledge and belief, all relevant requirements of the AIM Rules have been complied with. No liability whatsoever is accepted by SCC for the accuracy of any information or opinions contained in this document or for the omissions of any material information, for which it is not responsible.

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## EXPECTED TIMETABLE OF EVENTS

Publication of this document	16 May 2012
Admission and commencement of dealings in the Ordinary Shares on AIM	22 May 2012
Settlement of Placing Shares in uncertificated form through CREST	22 May 2012
Despatch of definitive share certificates in respect of the Placing Shares in certificated form to Placees by no later than	28 May 2012
Despatch of Placing Warrant certificates to Placees by no later than	28 May 2012

*The dates specified above are subject to change*

## PLACING STATISTICS

Placing Price	5p
Number of Existing Ordinary Shares in issue at the date of this document	10,000,000
Number of Placing Shares	75,000,000
Number of Subscription Shares	2,000,000
Number of Ordinary Shares in issue following the Placing and Subscription	87,000,000
Placing Shares as a percentage of the Enlarged Share Capital	86.2 per cent.
Market capitalisation following Admission at the Placing Price	£4.35 million
Gross proceeds of the Placing	£3.75 million
Estimated net proceeds of the Placing	£3.28 million
Ticker	CLNR
ISIN	GB00B6SYKF01
SEDOL	B6SYKF0

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	John Gordon Cluff (known as Algy Cluff) <i>(Executive Chairman and Chief Executive Officer)</i> Nicholas William Berry <i>(Non-Executive Deputy Chairman)</i> Peter Nigel Cowley <i>(Non-Executive Director)</i> Dr Robert Victor Danchin <i>(Non-Executive Director)</i> The Earl De La Warr DL. <i>(Non-Executive Director)</i> Brian Anthony FitzGerald <i>(Non-Executive Director)</i>
<b>Company Secretary</b>	Gravitas Company Secretarial Services Limited
<b>Registered Office</b>	15 Carteret Street London SW1H 9DJ United Kingdom
<b>Nominated Adviser</b>	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU United Kingdom
<b>Broker</b>	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street London W1S 4JU United Kingdom
<b>Auditors and Reporting Accountants</b>	Crowe Clark Whitehill LLP St Bride's House 10 Salisbury Square London EC4Y 8EH United Kingdom
<b>Solicitors to the Company</b>	K&L Gates LLP One New Change London EC4M 9AF United Kingdom
<b>Solicitors to the Placing</b>	Field Fisher Waterhouse LLP 35 Vine Street London EC3N 2PX United Kingdom
<b>Registrars</b>	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL United Kingdom
<b>Company website</b>	<a href="http://www.cluffnaturalresources.com">www.cluffnaturalresources.com</a>

## DEFINITIONS

“Act”	the Companies Act 2006, as amended
“Admission”	admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“AIM”	the AIM Market operated by the London Stock Exchange
“AIM Rules” or “AIM Rules for Companies”	the AIM Rules for Companies, as published by the London Stock Exchange and amended from time to time
“AIM Rules for Nominated Advisers”	the rules setting out the eligibility requirements, ongoing obligations and certain disciplinary matters in relation to nominated advisers, as published by the London Stock Exchange from time to time
“Articles” or “Articles of Association”	the current articles of association of the Company
“Company” or “Cluff Natural Resources”	Cluff Natural Resources Plc, incorporated in England and Wales with registered number 07958581
“Corporate Governance Code”	the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010
“CREST”	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear UK & Ireland Limited which facilitates the transfer of title to shares in uncertificated form
“CREST Regulations”	the Uncertificated Securities Regulations 2001 of the UK (SI 2001/3755) as amended
“Directors” or “Board”	the directors of the Company, whose names are set out on page 5 of this document
“Disclosure and Transparency Rules”	the disclosure and transparency rules made by the FSA under Part VI of FSMA
“Enlarged Share Capital”	the Existing Ordinary Shares, the Placing Shares and the Subscription Shares in issue immediately following Admission
“Existing Ordinary Shares”	the 10,000,000 Ordinary Shares in issue at the date of this document
“Existing Warrants”	the 5,000,000 unlisted warrants granted to Algy Cluff each warrant a right to subscribe for one new Ordinary Share at 5p per share for a period of five years from Admission described in paragraph 12.6 of Part IV of this document
“FSA”	the UK Financial Services Authority, the single statutory regulator under FSMA
“FSMA”	the UK Financial Services and Market Act 2000, as amended
“Investing Policy”	the investing policy of the Company as set out in paragraph 2 of Part I of this document under “Investing Policy”
“London Stock Exchange”	London Stock Exchange plc
“LTI Agreement”	the long term incentive agreement entered into by the Company and Algy Cluff on 4 May 2012, details of which are set out in paragraph 9 of Part IV of this document

“LTI Rights”	rights to acquire Ordinary Shares, subject to performance conditions being met, granted pursuant to the LTI Agreement
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of £0.005 each in the capital of the Company
“Placees”	the subscribers for Placing Shares pursuant to the Placing
“Placing”	the placing of the Placing Shares and the Placing Warrants at the Placing Price to the Placees being arranged by SCS, pursuant to the terms set out in the Placing Agreement
“Placing Agreement”	the conditional placing agreement dated 4 May 2012 between the Company, the Directors, SCC and SCS relating to the Placing, a summary of which is set out in paragraph 12.3 of Part IV of this document
“Placing Letters”	the letters signed by each investor wishing to take part in the Placing setting out the terms on which they agree to subscribe for Placing Shares and the Placing Warrants
“Placing Price”	5p per Placing Share
“Placing Shares”	the 75,000,000 new Ordinary Shares being issued by the Company pursuant to the Placing
“Placing Warrants”	the 37,500,000 unlisted warrants granted to Placees each warrant a right to subscribe for one new Ordinary Share at 10p per share for a period of three years from Admission described in paragraph 12.7 of Part IV of this document
“Prospectus Rules”	the prospectus rules published by the FSA pursuant to Part VI of FSMA
“Registrar”	Share Registrars Limited of Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL, UK
“Regulation D”	Regulation D promulgated under the Securities Act
“Regulation S”	Regulation S promulgated under the Securities Act
“SCC”	Shore Capital and Corporate Limited
“SCS Warrants”	the 4,340,000 unlisted warrants granted to SCS each warrant a right to subscribe for one new Ordinary Share at 5p per share for a period of five years from Admission described in paragraph 12.5 of Part IV of this document
“SCS”	Shore Capital Stockbrokers Limited
“Securities Act”	United States Securities Act of 1933, as amended
“Shareholders”	holders of Ordinary Shares from time to time
“Share Option Plan”	the Company’s share option plan, details of which are set out in paragraph 10 of Part IV of this document
“Subscription”	the subscription by Nicholas William Berry, Peter Nigel Cowley, Dr. Robert Victor Danchin, Brian Anthony FitzGerald and The Earl De Le Warr DL. for 2,000,000 new Ordinary Shares in aggregate at 5p each pursuant to the Subscription Letter

“Subscription Letters”	the subscription letters signed by each non-executive Director, dated 15 May 2012, setting out the terms on which they agree to subscribe for the Subscription Shares
“Subscription Shares”	the 2,000,000 new Ordinary Shares being issued by the Company pursuant to the Subscription
“Takeover Code”	the City Code on Takeovers and Mergers, as updated from time to time
“Takeover Panel”	the Panel on Takeovers and Mergers in the UK
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“United States” or “US”	United States as defined by Regulation S
“US Person”	US person as defined by Regulation S
“Warrants”	the Existing Warrants, the Placing Warrants and the SCS Warrants

## PART I

### INFORMATION ON THE COMPANY

#### 1. Introduction

Cluff Natural Resources is a new AIM investing company founded by Algy Cluff to acquire and make strategic investments globally in oil & gas and mining projects. The Company's shares will be admitted to trading on AIM.

On Admission, the Board will comprise Algy Cluff, as Chairman and Chief Executive and the following non-executive directors: Nicholas Berry (Deputy Chairman), Peter Cowley, Robert Danchin, The Earl De La Warr DL. and Brian FitzGerald. Additional executive appointments, including a team of geologists, will be appointed as required and as the Company builds its portfolio of assets.

Cluff Natural Resources will take advantage of the many government and business contacts that Algy Cluff has made over the past 40 years as an entrepreneur in the natural resources sector. Algy Cluff has been involved in the global oil & gas and mining industries since 1971. During that period he has been responsible, either through consortia he has led, or companies he has managed, for the discovery of: the Buchan oil field in the UK North Sea in 1975 (still producing oil today); the Freda Rebecca Mine in Zimbabwe; the Geita discovery in Tanzania; the Kalsaka Mine in Burkina Faso; the Baomahun discovery (two million ounces) in Sierra Leone; and the Yaoure discovery in Côte d'Ivoire.

The Directors confirm that Algy Cluff, together with his then colleagues, not only employed pioneering geological methods, but also played a part in advising and making recommendations to African governments concerning many issues fundamental to the surge in African mineral activity over the last 30 years. These include the use of gold loans, the activation of local stock exchanges and the advancement of the investment profiles of many African countries. In addition, there remains a very large diaspora of ex Cluff Oil Ltd and Cluff Resources plc executives who have made successful careers for themselves. Algy Cluff has called and intends to call on many of these individuals to pool their own experience of the oil & gas and mining industries for the benefit of Cluff Natural Resources.

The Board has many years of experience in evaluating and progressing acquisitions and investment prospects within the oil & gas and mining sectors. The Company will not, therefore, have a separate investment manager although it may utilise independent third parties to provide expert advice where necessary.

#### 2. Investing Policy

The proposed investments to be made by the Company may be either quoted or unquoted; made by direct acquisition or through farm-ins; either in companies, partnerships or joint ventures; or direct interests in oil & gas and mining projects. It is not intended to invest or trade in physical commodities except where such physical commodities form part of a producing asset. The Company's equity interest in a proposed investment may range from a minority position to 100 per cent. ownership.

The Board initially intends to focus on pursuing projects in the oil & gas and mining sectors, where the Directors believe that a number of opportunities exist to acquire interests in attractive projects. Particular consideration will be given to identifying investments which are, in the opinion of the Directors, underperforming, undeveloped and/or undervalued, and where the Directors believe that their expertise and experience can be deployed to facilitate growth and unlock inherent value.

The Company will conduct initial due diligence appraisals of potential projects and, where it is believed further investigation is warranted, will appoint appropriately qualified persons to assist with this process. The Directors are currently assessing various opportunities which may prove suitable although, at this stage, only preliminary due diligence has been undertaken.

It is likely that the Company's financial resources will be invested in either a small number of projects or one large investment which may be deemed to be a reverse takeover under the AIM Rules. In every case, the

Directors intend to mitigate risk by undertaking the appropriate due diligence and transaction analysis. Any transaction constituting a reverse takeover under the AIM Rules will also require Shareholder approval.

Investments in early stage and exploration assets are expected to be mainly in the form of equity, with debt being raised later to fund the development of such assets. Investments in later stage projects are more likely to include an element of debt to equity gearing. Where the Company builds a portfolio of related assets, it is possible that there may be cross holdings between such assets.

The Company intends to be an involved and active investor. Accordingly, where necessary, the Company may seek participation in the management or representation on the Board of an entity in which the Company invests with a view to improving the performance and use of its assets in such ways as should result in an upward re-rating of the value of those assets.

Given the timeframe the Directors believe is required to fully maximise the value of an exploration project or early stage development asset, it is expected that the investment will be held for the medium to long term, although disposal of assets in the short term cannot be ruled out in exceptional circumstances.

The Company intends to deliver Shareholder returns principally through capital growth rather than capital distribution via dividends, although it may become appropriate to distribute funds to Shareholders once the investment portfolio matures and production revenues are established.

The Directors believe that the Investing Policy can be substantially implemented within 18 months of Admission. If this is not achieved, the Company will seek Shareholder consent for its Investing Policy or any changes thereto at the next annual general meeting of the Company and on an annual basis thereafter, until such time that its Investing Policy has been implemented. If it appears unlikely that the Investing Policy will be achieved, the Directors may consider returning the remaining funds to Shareholders.

Given the nature of the Investing Policy, the Company does not intend to make regular periodic disclosures or calculations of its net asset value.

The Directors consider that as investments are made, and new investment opportunities arise, further funding of the Company will be required.

### **3. Investment Opportunity**

The Directors believe that there is continuing global pressure to exploit new reserves and resources, evidenced by the long term upward trend in energy and other commodity prices being driven by the continuing industrialisation of the developing world (e.g. China and India).

The Directors initially plan to focus on evaluating oil and gas opportunities in the UK North Sea as well as throughout Africa, a continent rich in natural resources. At various times during the past 40 years, Algy Cluff has successfully operated companies with natural resources investments in the North Sea and many African countries.

#### ***UK North Sea***

Interest in recent UK North Sea licensing rounds has been strong with the latest (Round 26) resulting in a total of 190 awards covering 2,818 blocks. A further round (Round 27), covering 2,800 blocks was offered on 1 February 2012, with the deadline for applications set for 1 May 2012. The Directors believe that the continuing strong interest amongst global majors in these licensing rounds indicates that the UK North Sea is still capable of drawing exploration, appraisal and investment interest.

Upstream investment in the UK North Sea as a whole is also on the rise, hitting a record £7.5bn (US\$11.5bn) in 2011, according to data from Wood Mackenzie. Total investment is expected to rise further in 2012 due to investment in a number of flagship projects in the West of Shetland area funded by international oil companies such as BP and Total.

The Budget Report, published on 21 March 2012, announced supportive changes to the UK fiscal regime covering the UK North Sea that will: introduce a package of oil and gas measures providing long term

certainty on decommissioning relief; extend the amount and scope of the existing small field allowance; introduce a new field allowance targeted at the West of Shetland area; and introduce primary legislation to allow the potential introduction of measures to support investment in brown-fields.

### *Africa*

The Board believes Africa is well positioned to become the second fastest growing region in the world. According to the International Monetary Fund (IMF), economic growth across the 54 countries of the continent will average around 6 per cent. this year. New resource frontiers are opening up in Africa as previously troubled countries have stabilised and are now actively encouraging overseas investment (e.g. Cote d'Ivoire, Liberia and Sierra Leone). The commodity boom in Africa (e.g. oil and gold in West Africa, iron ore in West Africa and copper in the Democratic Republic of the Congo), highlights the potential for the continent and the appetite of the equity market to support junior miners operating in the region.

There have been a number of notable oil and gas discoveries in Africa over the last few years, including the offshore oil discoveries by Tullow Oil plc in Ghana, the discoveries in Uganda by Tullow Oil plc and Heritage Oil Plc and more recently the gas discoveries offshore Tanzania by the Anadarko Petroleum Corporation led consortium, which includes Cove Energy Plc.

The Directors believe that Algy Cluff's experience and his track record in Africa and the North Sea will ensure that the Company has access to high quality projects and that a number of current opportunities exist to acquire interests in suitable projects both in Africa, the UK North Sea and elsewhere.

#### **4. Investment Objectives**

The investment objectives of Cluff Natural Resources are:

- to establish a portfolio of oil & gas and mining investments;
- to operate to the highest ethical standards, to apply industry best practice when it comes to environmental matters and to ensure that the Company adopts suitable social programmes in the countries in which it operates;
- to acquire resource projects that:
  - have the potential for successful economic development;
  - are at various stages of development ranging from the resource definition stage through to the production stage with a clear emphasis on projects that have been the subject of previous exploration or feasibility study; and
- where investments are sold, to reinvest profits to grow the value of Cluff Natural Resources through the successful advancement and development of the Company's projects and subsidiary companies, or to distribute profits to Shareholders in the form of dividends.

#### **5. Investment Process**

Algy Cluff will initially be responsible for sourcing Cluff Natural Resources' investments.

The Company proposes to establish a comprehensive and thorough project review process in which all material aspects of a potential project will be subjected to rigorous due diligence:

- **Deal Flow** – Potential opportunities will initially be sourced through the Directors' contacts in the industry;
- **Region/Location Analysis** – Research will be conducted to understand the fundamentals of each project;
- **Financial Analysis** – A thorough financial analysis will take place where assumptions are identified and economics scoped;

- **Reserves Analysis** – Reserves for each project will be carefully reviewed in advance of independent due diligence;
- **Project Inspection** – The site will be visited (as necessary) so that any additional issues and expenditure can be identified;
- **Capital Markets View** – Consideration will be given to ensure the project is in line with investors' expectations;
- **Independent Due Diligence** – All projects will be subject to a competent person's report in line with best practice;
- **NOMAD Consultation** – The Company will consult with its nominated adviser; and
- **Board Approval** – All investments must be approved by the Board.

## 6. Directors and Management

The Directors and management team are as follows:

John Gordon Cluff (known as Algy) – *Executive Chairman and Chief Executive Officer (Age: 72)*

In 1972 Algy Cluff formed CCP North Sea Associates to bid for North Sea oil licences in the UK sector and subsequently Cluff Oil Ltd, which acted as the management company for CCP. CCP discovered the Buchan oil field in the UK North Sea, in 1975. He then founded and became Chairman of Cluff Resources plc.

From the early 1980s, Cluff Resources plc began to focus on mineral exploration in Africa and made several significant discoveries including a large gold discovery in Africa (subsequently the Geita Mine in Tanzania) and the Freda Rebecca Mine in Zimbabwe, prior to the acquisition of Cluff Resources plc by Ashanti Goldfields Company Limited in 1996. In the same year, backed by Anglo American Corporation, Algy Cluff founded Cluff Mining Limited (subsequently re-named Ridge Mining Limited), which was admitted to AIM in May 2000. Ridge Mining Plc was acquired by Aquarius Platinum Limited in 2009. Algy Cluff was the Founder, Executive Chairman and Chief Executive of Cluff Gold plc from 2004 to December 2010, Executive Chairman until July 2011 and subsequently Non-Executive Chairman up to April 2012, when he stepped down to concentrate on Cluff Natural Resources.

Nicholas William Berry – *Non-executive Deputy Chairman (Age: 69)*

Nicholas Berry is the controlling shareholder and Chairman of Stancroft Trust Limited and Intersport Switzerland, PsC and a director and founder of Mintel International Group Limited, a family business. Nicholas Berry is also a Non-executive Director of The Daily Mail and General Trust plc.

Peter Nigel Cowley – *Non-executive Director (Age: 64)*

Peter Cowley is a geologist with 40 years of international experience in the minerals industry and has been involved in the discovery and development of a number of gold mines in Africa. Peter Cowley is also president and CEO of Loncor Resources Inc and a Director of Banro Corporation and was previously Managing Director of Ashanti Exploration Limited and Group Technical Director of Cluff Resources plc. He holds M.Sc and M.B.A. degrees and is a Fellow of I.M.M.M. He is currently a Non-executive Director of Cluff Gold Plc.

Dr Robert Victor Danchin (known as Bobby) – *Non-executive Director (Age: 70)*

Robert Danchin has over 40 years' experience in the exploration industry. He was Chief Executive Officer of Anglo American plc's Exploration and Acquisition Division and the Anglo American Group's Deputy Technical Director (Geology). From 1997 to 2002, he was an Executive Director of Anglo American Corporation of South Africa Limited. In 1980, he joined Stockdale Prospecting Limited (an Australian subsidiary of De Beers) as Chief Geologist based in Australia. He remained with that company for 15 years, eventually becoming Exploration Manager heading up its Australian-based diamond exploration programme. He is currently a Non-executive Director of Cluff Gold Plc.

The Earl De La Warr DL. – *Non-executive Director (Age: 64)*

William De La Warr has 35 years' experience in the securities industry. He was Director of Credit Lyonnais Securities (Broking) Ltd, formerly Laing & Cruickshank, both in institutional sales and corporate broking. Most recently he has worked at Shore Capital Stockbrokers and is Vice Chairman EMEA at Shore Capital International Limited, having particular involvement with the natural resources team.

Brian Anthony FitzGerald – *Non-executive Director (Age: 68)*

Brian FitzGerald has over 30 years' experience as a banker, having worked variously for Hambros Bank, E.D. Sassoon and Wallace Brothers Sassoon before joining Standard Chartered Bank in 1977 where he remained until 1991. He ran the Standard Chartered Investment Banking offices in Australia, Singapore and New York and returned to Head Office in 1987. Subsequently he was Chief Executive of Janson Green Plc, Deputy Chairman of Limit Plc and Chairman of Liberty Syndicate Management Ltd.

### ***Senior Management***

Following the successful completion of the AIM admission, Cluff Natural Resources will appoint a part time Finance Director and Company Secretary. A number of candidates have been identified to fill these roles and appointments will be made in due course.

## **7. Track Record**

The Founder and Chairman of Cluff Natural Resources is Algy Cluff, who has been involved in the natural resources sector since 1971 when he founded CCP North Sea Associates which later became Cluff Oil Ltd.

From 1980 to 1996, he was the Founder and Chairman of Cluff Resources plc, which was acquired by Ashanti Goldfields Company Limited in 1996. Cluff Resources plc discovered and brought into production the Freda Rebecca mine in Zimbabwe. In 1995 Cluff Resources plc discovered what is now known as the Geita Mine in Tanzania. This discovery prompted a takeover bid for the company from Ashanti.

From 1996 to 2003, Algy Cluff was the Co-founder and Chairman of Cluff Mining Limited which was renamed Ridge Mining Plc and was acquired by Aquarius Platinum in 2009.

In 2003, he founded Cluff Gold plc a UK AIM listed company, with a market capitalisation of approximately £107 million which is currently producing over 71,000 ounces of gold annually, has just delivered its maiden full-year profit and is in advanced stages of developing its Baomahun gold project in Sierra Leone. Cluff Gold has producing mines in Burkina Faso and the Cote d'Ivoire with significant development projects in Cote d'Ivoire and Sierra Leone. Algy Cluff was, until April 2012, the Non-Executive Chairman of Cluff Gold plc.

Cluff Natural Resources is the fifth company that Algy Cluff has listed on an internationally recognised stock market.

## **8. Financial Information**

An accountants' report and financial information on the Company is set out in Part A of Part III of this document for the period from incorporation to 3 April 2012 and a pro-forma balance sheet for the Company is set out in Part B of Part III of this document. Since incorporation, the only activities of the Company have been in connection with its Investing Policy. Save as noted under "Investing Policy" above or in the Risk Factors in Part II of this document, the Directors believe that there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.

## **9. The Placing, Subscription and Use of Proceeds**

SCS has conditionally agreed to use its reasonable endeavours to place, as agent for the Company, the Placing Shares, which will represent 86.2 per cent. of the Enlarged Share Capital of the Company on Admission, at the Placing Price, together with the Placing Warrants (which will be issued on the basis of one Placing Warrant for every two Placing Shares).

The gross proceeds of the Placing are expected to be £3.75 million and the net cash proceeds to the Company of the Placing (after deduction of expenses estimated in total at approximately £0.47 million (excluding VAT)) are expected to be £3.28 million. The Company intends to use the net funds received from the Placing to investigate and pursue potential investments and acquisitions, perform due diligence, contribute towards professional costs associated with an acquisition and fund the initial working capital requirements of the Company.

The Placing is conditional, *inter alia*, on Admission occurring on or by 22 May 2012. The Placing Shares allotted pursuant to the Placing will (following issue) rank *pari passu* in all respects with the Existing Ordinary Shares.

The Placing Shares and the associated Placing Warrants are not being offered generally in the UK or elsewhere and no applications have or will be accepted other than under the terms of the Placing Agreement and the Placing Letters. The period within which placing participations may be accepted pursuant to the Placing and arrangements for the payment and holding of subscription moneys pending Admission are set out in the Placing Letters. It is expected that the proceeds of the Placing due to the Company will be received by it on or soon after Admission.

The Placing Shares will be issued in registered form. The register of members of the Company will be maintained by the Registrar. It is expected that, subject to the satisfaction of the conditions of the Placing, the Placing Shares will be registered in the names of the Placees subscribing for or acquiring them and issued or transferred either:

- in CREST, where the Placee so elects and only if the Placee is a “system member” (as defined in the CREST Regulations) in relation to CREST, with delivery (to the designated CREST account) of the Placing Shares subscribed for or purchased expected to take place on 22 May 2012; or
- otherwise, in certificated form, with the relevant share certificate expected to be despatched by post at the risk of the Placee by 28 May 2012.

On exercise of the Placing Warrants, the Ordinary Shares allotted pursuant to the Placing Warrants will be registered in the names of the persons subscribing for or acquiring them and issued or transferred either:

- in CREST, where the person so elects and only if the person is a “system member” (as defined in the CREST regulations) in relation to CREST; or
- otherwise, in certificated form.

Notwithstanding the election by Placees as to the form of delivery of the Placing Shares, no temporary documents of title will be issued. All documents or remittances sent by or to Placees or as they may direct will be sent through the post at their risk.

Pending despatch of definitive share certificates or crediting of CREST stock accounts (as applicable), the Registrar will certify any instrument of transfer against the Company’s register of members.

In addition to the Placing, the non-executive Directors have agreed, conditional on Admission, to subscribe for the Subscription Shares pursuant to the Subscription.

## **10. Lock-in Arrangements**

In accordance with the AIM Rules, the Directors and their related parties (as defined in the AIM Rules), whose interests in the Company when taken together amount to 14.5 per cent. of the Enlarged Share Capital, have undertaken to SCS, SCC and the Company:

- not to dispose of any interest in their Ordinary Shares (including any Ordinary Shares which they may subsequently acquire within one year of Admission) or any warrants or options to subscribe for Ordinary Shares for a minimum period of 12 months following Admission except in the very limited circumstances allowed by the AIM Rules; and

- not to dispose of any interest in Ordinary Shares for a period of 12 months following the first anniversary of Admission otherwise than in an orderly manner through the Company's broker from time to time.

## **11. Admission to Trading and Dealing Arrangements**

Application has been made for admission of the Enlarged Share Capital to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on 22 May 2012.

The Ordinary Shares will have the ISIN number GB00B6SYKF01, with SEDOL B6SYKF0. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

## **12. Reasons for Admission**

The Company is seeking Admission in order to take advantage of:

- the public profile of AIM;
- a trading facility for the Ordinary Shares;
- a broad investor base;
- access to institutional and other investors;
- the enhanced ability to issue equity as consideration for investments; and
- the potential to enhance discussions with potential vendors of investments.

## **13. Borrowings**

The Board does not intend to use borrowings to fund investments or early stage assets, although debt may be raised in the future to fund the development of such assets.

## **14. Dividend Policy**

The nature of the Company's proposed business means that it is unlikely that the Directors will recommend a dividend in the early years following Admission. The Directors believe the Company should seek to generate capital growth for its Shareholders but may recommend distributions at some future date when the investment portfolio matures and production revenues are established and when it becomes commercially prudent to do so.

## **15. Taxation**

The attention of prospective investors is drawn to the taxation section in paragraph 13 of Part IV of this document.

## **16. Corporate Governance**

The Directors recognise the value and importance of high standards of corporate governance. Accordingly, whilst the Corporate Governance Code does not apply to AIM companies, the Directors intend to observe the requirements of the Corporate Governance Code to the extent they consider appropriate in the light of the Company's size, stage of development and resources. The Board also proposes, so far as practicable, to follow the recommendations set out in the corporate governance guidelines for smaller quoted companies published by the Quoted Companies Alliance.

The Company will hold regular board meetings and the Board will be responsible for formulating, reviewing and approving the Company's strategy, budgets and acquisitions. The Board currently comprises six Directors, of whom one is executive and five are non-executive.

The Board has established an audit committee and remuneration committee with formally delegated duties and responsibilities, as described below.

#### ***Audit committee***

The audit committee will be responsible for monitoring the integrity of the Company's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Company's internal control and risk management systems, monitoring the effectiveness of the internal audit function and overseeing the relationship with the external auditors (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings).

The audit committee will initially comprise The Earl De La Warr DL. and Peter Cowley and will be chaired by Brian FitzGerald. The audit committee will meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required. The audit committee will also meet regularly with the Company's external auditors.

#### ***Remuneration committee***

The remuneration committee will be responsible for determining and agreeing with the Board the framework for the remuneration of the chairman, the executive Directors and other designated senior executives and, within the terms of the agreed framework, determining the total individual remuneration packages of such persons including, where appropriate, bonuses, incentive payments and share options or other share awards. The remuneration of non-executive Directors will be a matter for the chairman and the executive members of the Board. No Director will be involved in any decision as to his or her own remuneration.

The remuneration committee will initially comprise Peter Cowley and Dr Robert Danchin and will be chaired by Nicholas Berry. The remuneration committee will meet at least twice a year and otherwise as required.

#### ***Share dealing code***

The Company has adopted a share dealing code for Directors and applicable employees of the Company for the purpose of ensuring compliance by such persons with the provisions of the AIM Rules relating to dealings in the Company's securities (including, in particular, Rule 21 of the AIM Rules). The Directors consider that this share dealing code is appropriate for a company whose shares are admitted to trading on AIM.

The Company will take proper steps to ensure compliance by the Directors and applicable employees with the terms of the share dealing code and the relevant provisions of the AIM Rules (including Rule 21).

### **17. Long Term Incentive Agreement**

The Company has entered into a long term incentive agreement, the LTI Agreement, with Algy Cluff pursuant to which Mr. Cluff may acquire Ordinary Shares at nil cost equal to up to 3 per cent. of the Company's prevailing issued share capital as at 31 December in each of the financial years 2012, 2013, 2014, 2015 and 2016, subject to the performance conditions summarised in paragraph 9.2 of Part IV of this Document being met and to the terms and conditions of the LTI Agreement.

### **18. Share Option Plan**

The Company operates the Share Option Plan pursuant to which options over Ordinary Shares may be granted to Directors and employees of the Company. A summary of the Share Option Plan is set out in paragraph 10 of Part IV of this document.

### **19. CREST**

The Articles of Association permit the Company to issue shares in uncertificated form in accordance with the CREST Regulations. The Directors will apply for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission

may take place in the CREST system if the relevant Shareholders wish in accordance with the criteria listed in “The Placing and Use of Proceeds” paragraph in this Part I of this document.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain certificates will be able to do so.

## **20. Takeover Code**

The Company is a public limited company incorporated in the UK and has its place of central management and control in the UK. Accordingly, the Takeover Code applies to the Company and, as a result, Shareholders are entitled to the benefit of the takeover offer protections provided under the Takeover Code.

Further information concerning the Takeover Code is set in paragraph 5.2 of Part IV of this document.

## **21. United States Selling Restrictions**

Save where a relevant exemption applies, the Placing is not being made, directly or indirectly, to, or for the account or benefit of, any US Person or in or into the United States, Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan and this document must not be mailed or otherwise distributed or sent in or into the United States of America, Canada, Australia, the Republic of Ireland, South Africa or Japan. The Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Company has not registered, and does not intend to register, as an investment company under the 1940 Act. Furthermore, the Ordinary Shares have not been, and will not be, registered under the securities legislation of any state of the United States, any province of Canada, the Commonwealth of Australia, the Republic of Ireland, the Republic of South Africa or Japan. Accordingly, unless an exemption under relevant securities laws is applicable (see the next paragraph), the Ordinary Shares may not be offered, sold, transferred, or delivered, directly or indirectly, to, or for the account or benefit of, any US Person or in or into the United States, Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan.

SCS and any of its respective affiliates may arrange for the offer and sale of Shares in the United States or to US Persons only to persons (“Eligible US Investors”):

- (a) reasonably believed to be “qualified institutional buyers” as defined in Rule 144A under the Securities Act (“Rule 144A”); and
- (b) who are “qualified purchasers” within the meaning of Section 2(a)(51)(A) of the Investment Company Act, as amended, in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Prospective investors are hereby notified that the sellers of Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A or another exemption from the registration requirements of the Securities Act. The Ordinary Shares are being offered and sold outside the United States to non-US persons in reliance on Regulation S under the Securities Act.

The Company intends to prohibit investors that are subject to Title I of ERISA or Section 4975 of the Internal Revenue Code or that are using assets of such investors from acquiring any Ordinary Shares in the Placing or holding any Ordinary Shares. Accordingly, benefit plan investors using assets of Plans that are subject to Title I of ERISA or Section 4975 of the Internal Revenue Code (“Benefit Plan Investors”) (including, as applicable, assets of an insurance company general account) will not be permitted to acquire Ordinary Shares in the Placing or to hold Ordinary Shares and each Placee will be required to represent and agree that it is not and will not be a Benefit Plan Investor. In addition, any Shareholder who becomes or becomes aware that he is a Benefit Plan Investor is required forthwith to transfer his Ordinary Shares to an Eligible Transferee. Each other employee benefit plan acquiring Ordinary Shares will be deemed to have represented and agreed that it is not a Benefit Plan Investor (as defined above), the purchase and holding of the Ordinary Shares do not violate any US federal, state or local, or non-US, law, including any law that is substantially similar to Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

Any purchaser that is an insurance company using the assets of an insurance company general account should note that pursuant to regulations issued pursuant to Section 401(c) of ERISA, assets of an insurance company general account will not be treated as “plan assets” for purposes of the fiduciary responsibility provisions of ERISA and Section 4975 of the Internal Revenue Code to the extent such assets relate to contracts issued to employee benefit plans on or before 31 December 1998 and the insurer satisfied various conditions set forth in the regulations. The plan assets status of insurance company separate accounts is, however, unaffected by Section 401(c) of ERISA, and separate account assets are treated as the assets of a Benefit Plan Investor and therefore will be ineligible to invest in Ordinary Shares.

Each Placee who is a US Person will be required to execute and deliver to SCS a placing letter, pursuant to which such Placee will make (*inter alia*) the following representations, acknowledgements and agreements:

- (a) the Placee:
  - (i) is a US Person that is an Eligible US Investor and an accredited investor (as defined in Rule 501 of Regulation D under the Securities Act);
  - (ii) is acquiring the Ordinary Shares for its own account or for the account of an Eligible US Investor and accredited investor;
  - (iii) is aware, and, if it is acting for the account of another Eligible US Investor, such Eligible US Investor has been advised, that the sale of the Ordinary Shares to it is being made in reliance on Rule 506 of Regulation D and Rule 144A or another exemption from the registration requirements of the Securities Act and that the Company has not been and will not be registered as an “investment company” under the 1940 Act; and
  - (iv) was not solicited by any form of general advertising or general solicitation as defined in Regulation D under the Securities Act;
- (b) the Placee understands that the Ordinary Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Ordinary Shares have not been and will not be registered under the Securities Act and that if in the future the Placee decides to offer, resell, pledge or otherwise transfer any of the Ordinary Shares, such Ordinary Shares may be offered, resold, pledged or otherwise transferred only outside the United States in compliance with the Securities Act and other applicable securities laws: and only
  - (i) to the Company (upon redemption of such Ordinary Shares or otherwise); or
  - (ii) in a transaction complying with the provisions of Rule 903 or Rule 904 of Regulation S under the Securities Act (including, for the avoidance of doubt, a *bona fide* sale on the London Stock Exchange); and
- (c) the Placee is not and will not be (or deemed to be) a Benefit Plan Investor subject to ERISA or Section 4975 of the Internal Revenue Code.

Each Placee who is not a US Person will be deemed to have represented and agreed that he:

- (i) is not a US Person and is not acquiring the Ordinary Shares for the account or benefit of a US Person;
- (ii) is purchasing the Ordinary Shares in an offshore transaction pursuant to Regulation S under the Securities Act;
- (iii) has not been solicited by any directed selling efforts as defined in Regulation S under the Securities Act;
- (iv) is not and will not be (or deemed to be) a Benefit Plan Investor subject to ERISA or Section 4975 of the Internal Revenue Code; and

- (v) understands that the Ordinary Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Ordinary Shares have not been and will not be registered under the Securities Act and that if in the future the Placee decides to offer, resell, pledge or otherwise transfer any of the Ordinary Shares, such Ordinary Shares may be offered, resold, pledged or otherwise transferred only outside the United States in compliance with the Securities Act and other applicable securities laws and only:
  - (1) to the Company (upon redemption of such Ordinary Shares or otherwise); or
  - (2) in a transaction complying with the provisions of Rule 903 or Rule 904 of Regulation S under the Securities Act (including, for the avoidance of doubt, a *bona fide* sale on the London Stock Exchange) or another exemption from the registration requirements of the Securities Act.

## **PART II**

### **RISK FACTORS**

Prospective investors should be aware that an investment in Cluff Natural Resources is speculative and involves a high degree of risk. In addition to the other information in this document, the Directors consider the following risk factors are of particular relevance to the Company's activities and to any investment in the Company. It should be noted that this list is not exhaustive and that other risk factors not presently known or currently deemed immaterial may apply. Any one or more of these risk factors could have a materially adverse impact on the value of the Company and its business prospects and should be taken into consideration when assessing the Company. In such circumstances, investors could lose all or part of the value of their investment. The risks are not presented in any order of priority.

Potential investors are advised to consult a person authorised under FSMA who specialises in advising on investments of this kind before making any investment decisions. A prospective investor should carefully consider whether an investment in the Company is suitable in light of his personal circumstances and the financial resources available to him. Prospective investors should also consider carefully all of the information set out in this document and the risks attaching to the investment in the Company, including, in particular, the risks described below, before making any investment decision.

#### **RISKS RELATING TO THE COMPANY'S INVESTING POLICY**

##### **Limited Operating History**

The Company was formed on 21 February 2012 and as such has a limited trading history and financial track record. The Company has been pursuing its Investing Policy since incorporation but currently has no contracted investments or formally arranged financing facilities and its investments will only be made after the Placing is completed. As a result, there can be no assurance that the Company will be successful or that it will meet the objectives of its Investing Policy and prospective investors do not have financial or other information regarding investments to be made by the Company or information on the Company's future prospects to assist them in making their investment decision. There is, therefore, no basis on which to evaluate the Company's ability to achieve its business objective, implement its Investing Policy and provide a satisfactory investment return.

Any failure in achieving its Investing Policy or financing strategy or in managing its financial controls, reporting systems or procedures could have a material adverse effect on the Company's results of operations, financial condition and business prospects.

##### **Identifying a Suitable Target**

The Company will be dependent upon the ability of the Directors to identify suitable investment opportunities and to implement the Company's strategy. As at the date hereof, the Directors have not identified any investment opportunities which they have resolved to pursue. If the Directors do not identify an opportunity that corresponds to the Company's business strategy for creating value, then the Company may not be able to invest its cash in a manner which accomplishes its objectives. There is no guarantee that the Company will be able to acquire an identified opportunity at an appropriate price, or at all, as a consequence of which resources might have been expended fruitlessly on investigative work and due diligence.

##### **Change in Investing Policy**

The Company's Investing Policy may be modified and altered from time to time, so it is possible that the approaches adopted to achieve the Company's investment objectives in the future may be different from those presently expected to be used and disclosed in this document.

## **Market Conditions**

Market conditions may have a negative impact on the Company's ability to execute investments in suitable assets which generate acceptable returns. There is no guarantee that the Company will be successful in sourcing suitable assets or making any investments in assets at all.

## **Interest Rates**

Until such time as all of the net proceeds of the Placing are applied by the Company to fund investments, the unapplied portion of the net proceeds will be held by the Company in an interest bearing deposit account in anticipation of future investment and to meet the running costs of the Company. Such deposits are likely to yield low interest rates and lower returns than the expected returns from an investment. The Company can give no assurance as to how long it will take it to invest any or all of the net proceeds of the Placing, if at all, and the longer the period the greater the likely impact on the Company's performance, financial condition and business prospects.

## **Costs Associated with Potential Investments**

The Company expects to incur certain third party costs associated with the sourcing of suitable assets. The Company can give no assurance as to the level of such costs, and given that there can be no guarantee that negotiations to acquire any given property will be successful, the greater the number of deals that do not reach completion, the greater the likely impact of such costs on the Company's performance, financial condition and business prospects.

## **Ownership Risks**

Under the Company's Investing Policy, the Company has the ability to enter into a variety of investment structures, including joint ventures, the acquisition of controlling interests or the acquisition of minority interests.

In the event the Company acquires a 100 per cent. interest in a particular asset or entity, or makes a single investment in an entity, the resulting concentration of risk may result in a total or partial loss on its investment and have a material adverse effect on the Company's performance.

In the event the Company acquires less than a 100 per cent. interest in a particular asset or entity, the remaining ownership interest will be held by third parties and the subsequent management and control of such an asset or entity may entail risks associated with multiple owners and decision-makers. Any such investment also involves the risk that third party owners might become insolvent or fail to fund their share of any capital contribution which might be required. In addition, such third parties may have economic or other interests which are inconsistent with the Company's interests, or they may obstruct the Company's plans, or they may propose alternative plans. If such third parties are in a position to take or influence actions contrary to the Company's interests and plans, this may affect the ability of the Company to implement its strategies.

In addition, there is a risk of disputes between the Company and third parties who have an interest in the asset or entity in question. Any litigation or arbitration resulting from any such disputes may increase the Company's expenses and distract the board of Directors from focusing its time to fulfil the strategy of the Company. The Company may also, in certain circumstances, be liable for the actions of such third parties.

## **Due Diligence Process**

The Company intends to conduct such due diligence as it deems reasonably practicable and appropriate, based on the facts and circumstances applicable to each potential project, before making an investment. The objective of the due diligence process will be to identify material issues which might affect an investment decision. When conducting due diligence and making an assessment regarding an investment, the Company will be required to rely on resources available to it, including, in the main, public information and, in some circumstances, third party investigations. As a result, there can be no assurance that the due diligence undertaken with respect to any potential project will reveal or highlight all relevant facts that may be

necessary or helpful in evaluating such project. Further, there can be no assurance as to the adequacy or accuracy of information provided during any due diligence exercise or that such information will be accurate and/or remain accurate in the period from conclusion of the due diligence exercise until the desired investment has been made. Due diligence may also be insufficient to reveal all of the past and future liabilities relating to the operations and activities of the target, including but not limited to liabilities relating to litigation, breach of environmental regulations or laws, governmental fines or penalties, pension deficits or contractual liabilities.

### **Valuation Error**

In assessing the consideration to be paid for its investment in any project, the Directors, amongst other things, expect to rely on market data, industry statistics and industry forecasts consisting of estimates compiled by industry professionals, organisations, analysts or publicly available information. Industry publications generally state that their information is obtained from sources they believe to be reliable but that the accuracy and completeness of such information is not guaranteed and that the forecasts or projections they contain are based on a number of significant assumptions. Although the Company intends to use sources that are believed to be reliable, it may not always have access to the underlying information, methodology and other bases for such information and may not have independently verified the underlying information and, therefore, cannot guarantee its accuracy and completeness. Accordingly, errors in any of the assumptions or methodology employed by a third party in preparing a report on which the Company may place reliance may materially adversely affect the Company's valuation and therefore returns on any investment, business, results of operations, financial condition and prospects.

### **Long-Term Nature of Investments**

While an investment may be sold by the Company at any time, it is not generally expected that this will occur for a number of years after such an investment is made. Private equity investments in companies and businesses are best suited for long-term investors.

### **Illiquid Nature of the Company's Investments**

Return of capital to Shareholders and the realisation of gains, if any, generally will occur only upon the partial or complete disposal of an investment, which may be several years after first investment.

## **RISKS RELATING TO THE NATURAL RESOURCES AND ENERGY INDUSTRIES**

**The Company's proposed projects will be subject to the normal risks of oil & gas and mining projects, and such profits as may be derived from such projects are subject to numerous factors beyond the Company's control. Certain of these risk factors are discussed below.**

### **Reserve and Resource Estimates**

Any future reserve and/or resource figures relating to future projects will be estimates and there can be no assurances that the reserves or resources are present, will be recovered or that it can be brought into profitable production. Reserves and resources estimates may require revisions based on actual production experience. Furthermore, a decline in the market price for commodities produced by projects that the Company may invest in could render remaining reserves uneconomic to recover and may ultimately result in a restatement of reserves.

### **Exploration Risks**

The Company intends to invest in projects relating to the exploration for and the development of resources which are speculative and involve a significant degree of risk. There is no assurance that such exploration will lead to commercial discoveries or, if there is a commercial discovery, that such reserves will be realisable.

Whilst the Directors will endeavour to apply what they consider from time to time to be the latest technology to assess potential projects, the business of exploration for minerals and hydrocarbons is speculative and

involves a high degree of risk. The mineral or hydrocarbon deposits of any projects acquired, or invested in, by the Company may not contain economically recoverable volumes of minerals or hydrocarbons of sufficient quality and even if there are economically recoverable deposits, delays in the construction and commissioning of projects or other technical difficulties may make the deposits difficult to exploit.

The exploration and development of any projects in which the Company may have invested may be disrupted, damaged or delayed by a variety of risks and hazards which are beyond the control of the Company. These include (without limitation) geological, geotechnical and seismic factors, environmental hazards, technical failures, adverse weather conditions, “acts of God” and government regulations or delays.

### **Exploration/Drilling, Developing and Operating Risks**

Mineral and oil and gas drilling/exploration, developing and operating involves a number of risks, many of which are beyond the control of the Company as an investor, which may delay or adversely impact the projects in which the Company may have invested. These include mechanical failures or delay, adverse weather conditions and governmental regulations or delays. These delays and potential impacts could result in a project’s activities being delayed or abandoned and substantial losses could be incurred.

Exploration/drilling may not result in the discovery of economically viable mineral or hydrocarbon resources either due to insufficient resources being discovered, the resources not being of sufficient quality to be developed economically or the costs of any development being in excess of that required for an economic project.

Exploration/drilling is also subject to general industry operating risks such as environmental spills or hazards, explosions, fires, blow-outs, equipment failures, the occurrence of any of which could result in losses for the project in which the Company may have invested in the form of injury or loss of life, environmental damage, damage to or destruction of property and regulatory investigations that could result in curtailment of operations, fines and other additional costs.

### **Ability to Exploit Successful Discoveries**

It is possible that a project in which the Company may have invested may not be able to exploit commercially viable discoveries in which it holds an interest. Exploitation may require external approvals or consents from relevant authorities and the granting of these approvals and consents is beyond the Company’s control. The granting of such approvals and consents may be withheld for lengthy periods, not given at all, or granted subject to the satisfaction of certain conditions which the project in which the Company may have invested cannot meet. As a result of such delays, the project in which the Company may have invested may incur additional costs, losses of revenue or part or all of its equity in a licence.

### **Volatility of Prices**

The supply, demand and prices for commodities are volatile and are influenced by factors beyond the Company’s control. These factors include global demand and supply, exchange rates, interest rates and inflation rates and political events. A significant prolonged decline in commodity prices could impact the viability of some of the exploration projects in which the Company may propose to invest. Additionally, production from geographically isolated countries may be sold at a discount to current market prices.

### **Corporate and Regulatory Formalities**

Conducting exploration, development or other mineral or oil and gas activities has or will involve the requirement to comply with various procedures and approval formalities. It may not in the future be possible to comply or obtain waivers of all such formalities. In the case where it is not possible for a project entity in which the Company may have invested to comply, or it cannot obtain a waiver, that entity may incur a temporary or permanent disruption to its activities and a loss of part or all of its interest in a lease or licence.

## **Climate Change and Related Regulation**

Many participants in the mining and oil and gas sector are large users of energy. Various regulatory measures aimed at reducing greenhouse gas emissions and improving energy efficiency may affect the Company's operations. Policy developments at an international, regional, national and subnational level, including those related to the 1997 Kyoto Protocol and subsequent international agreements, and emissions trading systems, such as the Emissions Trading System of the European Union, could adversely affect the Company's profitability if projects that it invests in have material greenhouse gas-intensive and energy-intensive assets.

In addition, the impact of climate change on any of the Company's potential investments is uncertain and will depend on circumstances at individual operating sites. Potential impacts could include increased rainfall, flooding, water shortages and higher average temperatures. These may increase costs, reduce production levels or otherwise impact the results of operations of the Company's investments.

## **Environmental Regulation**

Environment and safety legislation (such as in relation to plugging and abandonment of wells, discharge of materials into the environment and otherwise relating to environmental protection) may affect the Company's ability to make or pursue investments and may change in a manner that may require more strict or additional standards than those currently in effect, a heightened degree of responsibility for investee companies and their directors and employees and more stringent enforcement of existing laws and regulation. There may also be unforeseen environmental liabilities resulting from mineral extraction or oil and gas activities, which may be costly to remedy. In particular, the acceptable level of pollution and the potential clean up costs and obligations and liability for toxic or hazardous substances for which an investee Company may become liable as a result of its activities may be impossible to assess against the current legal framework and current enforcement practices of the various jurisdictions. Consequently the economic impact on the Company's profitability is difficult to assess.

## **Market Risk**

The scale of production from a development of a discovered mineral or oil and gas resource will be dependant upon factors over which the Company has no control such as market conditions at that time, access to, and the operation of, transportation and processing infrastructure, the available capacity levels and tariffs payable by a particular project entity for such infrastructure and the granting of any licences or quotas for a particular project entity may require from the relevant regulatory authority. All of these factors may result in delays in production and additional costs for a particular project entity or, ultimately, a reduction in expected revenues for the Company. Therefore, there is a risk that the Company may not make a commercial return on its investment.

## **Infrastructure**

Inadequate supply of the critical infrastructure elements for mining or oil and gas activity could result in reduced production or sales volumes, which could have a negative effect on the financial performance of the Company's investments. Disruptions in the supply of essential utility services, such as water and electricity, may halt production, or damage to the mining or oil and gas equipment or facilities of the Company's investments. Adequate provision of transportation services, such as rail services and timely port access, are critical to distributing products and disruptions to such services may affect the operations of the Company's investments.

## **Labour Disruptions**

There is a risk that strikes or other types of conflict with unions or employees may occur at any one of the Company's investments or in any of the geographic regions in which the Company invests. Any labour disruptions could increase operational costs and decrease revenues by delaying the business activities of the Company's investments or increasing the cost of substitute labour, which may not be available. Furthermore, if such disruptions are material, they could adversely affect the Company's results of operations, cash flows and financial condition.

## **Competition**

The oil & gas and mining industries are very competitive and the Company will face competition for potential investments and in the countries within which it will conduct its investment activities. Some of the Company's competitors have access to greater financial and technical resources than the Company and a greater ability to borrow funds to acquire assets. Competition for attractive investment opportunities may lead to higher asset prices which may affect the Company's ability to invest on terms which the Directors consider attractive. Such conditions may have a material adverse impact on the Company's ability to secure attractive investment opportunities and consequently may have an adverse effect on the net asset value and the market price of the Ordinary Shares.

## **RISKS RELATING TO THE ORDINARY SHARES**

### **Liquidity of Ordinary Shares**

Notwithstanding the fact that an application will be made for the Ordinary Shares to be traded on AIM, this should not be taken as implying that there will be a "liquid" market in the Ordinary Shares. The market for shares in smaller public companies is less liquid than for larger public companies. Therefore, an investment in the Ordinary Shares may thus be difficult to realise. The Ordinary Shares will not be listed on the Official List. Investments in shares traded on AIM carry a higher degree of risk than investments in shares quoted on the Official List. The price of the Ordinary Shares may be volatile, influenced by many factors, some of which are beyond the control of the Company, including the performance of the overall share market, other Shareholders buying or selling large numbers of Ordinary Shares, changes in legislation or regulations and general economic conditions.

### **Investment Risk**

The value of an investment in the Company could, for a number of reasons, go up or down. There is also the possibility that the market value of an investment in the Company may not reflect the true underlying value of the Company.

### **Distributions to Shareholders**

Investors should note that payment of any future dividends will be at the discretion of the Board after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs. Pursuant to the Act, dividends may only be declared and paid if the Company has distributable profits.

In addition, the Company's ability to pay distributions to Shareholders depends on the earnings and cash flows of the companies it invests in and their ability to pay the Company distributions and to repatriate funds to it. Other contractual and legal restrictions applicable to the Company and its investments could also limit its ability to obtain cash from them. If there are changes to accounting standards or to the interpretation of accounting standards, this could have an adverse impact on the Company's ability to pay dividends. The Company's right to participate in any distribution of its investee companies' assets upon their liquidation, reorganisation or insolvency would generally be subject to prior claims of such companies' creditors, including lenders and trade creditors.

### **Investor Profile**

The Placing will be marketed to institutional and sophisticated investors seeking capital appreciation. An investment in the Ordinary Shares is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise from that investment (taking into account the fact that those losses may be equal to the whole amount invested). Such an investment should be seen as medium to long term in nature and complementary to existing investments in a range of other financial assets and should not form a major part of an investment portfolio. The value of shares can go down as well as up, any dividend returns can fluctuate widely and investors may not realise the value of their initial investment.

## **Investing Company Status**

The Company is currently considered an investing company under the AIM Rules. As a result it may benefit from certain partial carve-outs as to the AIM Rules such as those in relation to the classification of Reverse Takeovers (as defined in the AIM Rules). Were the Company to lose investing company status for any reason, such carve-outs would cease to apply. Certain stake building or acquisition activities might also be considered a Reverse Takeover for the purposes of the AIM Rules, which would, amongst other things, require Shareholder approval of the acquisition or stake building. In certain cases this may result in the name of the selected investee company or a new investee company becoming public knowledge before the Company has acquired its desired holding in either the selected investee company or a new investee company and thus lead to an increase in the price of shares in the relevant company. The requirement for Shareholder approval of a potential transaction, which is classed as a Reverse Takeover could result in the delay and or failure to complete the acquisition.

## **GENERAL RISKS**

### **Financing**

Implementation of the Investing Policy will require very significant capital investment. The only sources of financing currently available to the Company are through the issue of additional equity capital or through bringing in partners to fund exploration and development costs. The Company's ability to raise further funds will depend on the success of existing and acquired investments. The Company may not be successful in procuring the requisite funds on terms which are acceptable to it (or at all) and, if such funding is unavailable, the Company may be required to reduce the scope of its investments or anticipated expansion. Further, Shareholders' holdings of Ordinary Shares may be materially diluted if debt financing is not available.

### **Political and Economic Risks**

It is anticipated that all or the majority of the Company's activities will be outside the UK and some of the jurisdictions that may come under consideration may be in areas of political instability; accordingly, there are a number of risks over which it will have little or no control. Whilst the Company will make every effort to ensure it has robust commercial agreements covering its activities, there is a risk that the Company's investments will be adversely impacted by economic and political factors such as the imposition of additional taxes and charges, cancellation or suspension of licences, expropriation, war, terrorism, insurrection and changes to laws governing oil and gas exploration and operations. There is also the possibility that the terms of any licence held by any project entity in which the Company has invested may be changed.

### **Reliance on Key Personnel**

The success of the Company will be dependent on the services of key management and operating personnel, including both its existing Directors and also individuals who have yet to be identified. The Directors believe that the Company's future success will depend largely on its ability to attract and retain highly skilled and qualified personnel, and to expand, train and manage its employee base. There can be no guarantee that suitably skilled and qualified individuals will be identified and employed or contracted on satisfactory terms or at all. If the Company fails to recruit or retain the necessary personnel, or if the Company loses the services of any of its key executives, its business could be materially and adversely affected. The Company cannot guarantee the retention of its existing Directors and is not currently insured against damage that may be incurred in the case of their loss. Due to the relatively small size of the Company and its business, the loss of any Director could have a material adverse effect on the Company's business and its future operations.

### **Insurance Risks**

The Company currently does not maintain any insurance other than directors' and officers' liability insurance which the Company is seeking to put in place.

## **Currency Risk**

The Company will report its results in pounds sterling, whilst a majority of its costs and revenues may be denominated in other currencies. This may result in additions to the Company's reported costs or reductions in the Company's reported revenues.

## **Legal Systems**

Some of the countries in which the projects in which the Company may invest in could have legal systems that are less well developed than the UK. This could result in risks such as: (i) potential difficulties in obtaining effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or in an ownership dispute; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; and (v) relative inexperience of the judiciary and courts in such matters. In certain jurisdictions the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

## **Recent Developments in Global Financial Markets**

There can be no assurances that financial conditions in the global financial markets will not worsen or adversely affect the Company's then prevailing financial position and performance or, indeed, those of its investments.

## **Taxation Risk**

Any change in the Company's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the Ordinary Shares or the investments held by the Company, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this document concerning the taxation of the Company and its investors are based upon tax law and practice at the date of this document, which is subject to change.

Whilst the Directors will use their reasonable endeavours to structure the Company's investments to comply with local laws and regulations, as well as with a view to mitigating the tax effect of local tax regulations, there can be no guarantee that laws and regulations which may adversely impact the Company's ability to realise its investments will apply to some or all of the Company's investments. In such circumstances, the Company's ability to invest in assets in the target countries without suffering a material and adverse effect on its investments may be affected.

## **Force Majeure**

The Company's proposed projects now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

## **Forward Looking Statements**

All statements other than statements of historical facts included in this document, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to dividends or any statements preceded by, followed by or that include any of the words "targets", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward looking statements. Such forward looking statements involve known or

unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance, achievements of or dividends paid by, the Company to be materially different from future results, performance or achievements, or dividend payments expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. These forward looking statements speak only as of the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

# PART III

## FINANCIAL INFORMATION

### SECTION A – ACCOUNTANTS’ REPORT ON CLUFF NATURAL RESOURCES PLC

16 May 2012



The Directors  
Cluff Natural Resources Plc  
15 Carteret Street  
London SW1H 9DJ

The Directors  
Shore Capital and Corporate Limited  
Bond Street House  
14 Clifford Street  
London W1S 4JU

The Directors  
Shore Capital Stockbrokers Limited  
Bond Street House  
14 Clifford Street  
London W1S 4JU

Dear Sirs

#### **Introduction**

We report on the financial information of Cluff Natural Resources Plc (the “Company”). This financial information has been prepared for inclusion in Part III Section A of the AIM admission document dated 16 May 2012 (the “Admission Document”) of the Company, on the basis of the accounting policies set out in note 2 to the financial information. This report is required by paragraph (a) of Schedule Two to the AIM Rules for Companies (the “AIM Rules”) and is given for the purposes of complying with the AIM Rules and for no other purpose.

#### **Responsibilities**

The Directors of the Company (the “Directors”) are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as endorsed by the European Union (“IFRS”).

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules, consenting to its inclusion in the Admission Document.

**Basis of Opinion**

We conducted our work in accordance with Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated and of the results, cash flows and changes in equity for the period then ended in accordance with the basis of preparation set out in note 2 to the financial information and has been prepared in accordance with IFRS and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Paragraph (a) of Schedule Two of the AIM Rules.

Yours faithfully

**Crowe Clark Whitehill LLP**

## STATEMENT OF FINANCIAL POSITION

The statement of financial position of the Company as at 3 April 2012 is stated below:

	<i>Note</i>	<i>£</i>
<b>Assets</b>		
<i>Current assets</i>		
Cash and cash equivalents		12,500
<b>Total Assets</b>		<u>12,500</u>
<b>Equity and liabilities</b>		
<i>Capital and reserves</i>		
Share capital	3	12,500
Retained earnings		—
<b>Total equity attributable to equity holders of the parent</b>		<u>12,500</u>
<b>Total liabilities</b>		—
<b>Total equity and liabilities</b>		<u>12,500</u>

## STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income for the period from 21 February 2012 to 3 April 2012 is stated below:

	<i>Note</i>	<i>£</i>
Revenue		–
Finance costs		–
<b>Profit for the period</b>		<u>–</u>
<b>Total comprehensive income attributable to equity owner</b>		<u>–</u>
<b>Earnings per share</b>		
Basic and diluted (£ per share)	5	<u>–</u>

## STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity of the Company for period from 21 February 2012 to 3 April 2012 are set out below:

	<i>Share capital</i> £	<i>Retained earnings</i> £	<i>Total equity</i> £
On incorporation	1	–	1
Issue of share capital	12,499	–	12,499
	<hr/>	<hr/>	<hr/>
	12,500	–	12,500
Retained profit for the period	–	–	–
Other comprehensive income for the period	–	–	–
	<hr/>	<hr/>	<hr/>
As at 3 April 2012	12,500	–	12,500
	<hr/>	<hr/>	<hr/>

Share capital comprises the ordinary issued share capital of the Company.

Retained earnings represent the aggregate retained earnings of the Company.

## STATEMENT OF CASH FLOWS

The statement of cash flows of the Company for the period from 21 February 2012 to 3 April 2012 is as follows:

	£
<b>Financing activities</b>	
Proceeds from issue of share capital	12,500
<b>Net cash from financing activities</b>	<u>12,500</u>
<b>Net increase in cash and cash equivalents</b>	<u>12,500</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>–</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>12,500</u></u>

## NOTES TO THE FINANCIAL INFORMATION

### 1. General information

The Company was incorporated in England and Wales on 21 February 2012 as a private limited company with the name Cluff Natural Resources Limited. The Company did not trade during the period under review and its registered office is located at 15 Carteret Street, London SW1H 9DJ.

### 2. Accounting policies

#### *Basis of preparation*

The Company is an investing company which has been established to focus on investment opportunities within the energy and natural resources sector. The Directors have concluded that it is appropriate for the financial information to be prepared on a going concern basis.

The financial information of the Company is presented in United Kingdom Pounds Sterling (“£”).

This financial information of the Company has been prepared on a historical basis as varied by the use of fair value in accordance with IFRS, International Accounting Standards (“IAS”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations as adopted by the European Union.

#### *Cash and cash equivalents*

Cash in the statement of financial position and the statement of cash flows is cash held on call with banks.

#### *Financial assets*

The Directors classify the Company’s financial assets as loans and receivables at fair value through profit or loss. The Directors determine the classification of its financial assets at initial recognition. The financial assets held comprise cash and cash equivalents and these are classified as loans and receivables.

#### *Comparative figures*

No comparative figures have been presented as the financial information covers the period from incorporation on 21 February 2012 to 3 April 2012.

#### *Standards and interpretations issued but not yet applied*

Certain changes to IFRS will be applicable for the Company’s financial information in future periods. To the extent that the Company has not adopted these early in the current financial information, they will not affect the Company’s reported profit or equity but they will affect disclosures.

As at the date of approval of this financial information, the following standards and interpretations were in issue but not yet endorsed by the European Union:

IFRS 9 – Financial Instruments;  
IFRS 10 – Consolidated Financial Statements;  
IFRS 11 – Joint Arrangements;  
IFRS 12 – Disclosure of Interests in other entities;  
IFRS 13 – Fair Value Measurement;  
IAS27 – Separate Financial Statements;  
IAS28 – Investments in Associates and Joint Ventures;  
Amendment to IAS12 – Deferred Tax: Recovery of Underlying Assets;  
Amendment to IFRS1 – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters;  
Amendment to IAS1 – Presentation of Items of Other Comprehensive Income;  
Amendment to IAS19 – Employee Benefits;  
Amendment to IFRS7 – Disclosures, Offsetting Financial Assets and Financial Liabilities;  
Amendment to IAS32 – Offsetting Financial Assets and Financial Liabilities;  
Amendment to IFRS1 – Government Loans;  
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine.

Numerous other minor amendments to standards have been made as a result of the IASB's annual improvement project.

### **3. Share capital**

The Company was incorporated on 21 February 2012 with no authorised share capital. On incorporation, the Company issued one Ordinary share of £1.00 at par value.

On 3 April 2012, each of the issued and unissued Ordinary shares of £1 each were subdivided into 200 shares of £0.005 each.

On 3 April 2012, 9,999,800 Ordinary shares were issued, of which a quarter were paid up.

Following the subdivision of share capital and share issue on 3 April 2012, the issued share capital of the Company comprised the following:

	#
Ordinary shares of £0.005 each	10,000,000
	£
Ordinary shares of £0.005 each (quarter paid up)	<u>12,500</u>

### **4. Director's emoluments**

No emoluments were paid to the Directors during the period under review.

### **5. Earnings per share**

The calculation for earnings per share (basic and diluted) for the relevant period is based on the profit after income tax attributable to equity holder for the period from 21 February 2012 to 3 April 2012 is as follows:

	#
Weighted average number of Ordinary shares	238,290
	£
Profit attributable to equity holders of the parent	<u>—</u>
Earnings per share	<u>—</u>

### **6. Financial instruments**

All of the Company's financial assets are classified as loans and receivables. As at 3 April 2012, the Company's financial assets comprised £12,500 of cash and cash equivalents.

### **7. Post balance sheet events**

The Company was re-registered as a public limited company on 19 April 2012 with the name Cluff Natural Resources Plc.

### **8. Ultimate controlling party**

Mr. John Gordon Cluff (known as Algy Cluff) is the ultimate controlling party of the Company.

### **9. Nature of financial information**

The financial information presented above does not constitute statutory accounts for the period under review.

## SECTION B – UNAUDITED PRO-FORMA STATEMENT OF NET ASSETS

Set out below is an unaudited pro forma statement of net assets of the Company, which has been prepared on the basis of the financial information on the Company, as adjusted for the Placing as set out in the notes below. The unaudited pro forma has been prepared for illustrative purposes only and, because of its nature, will not represent the actual financial position of the Company.

	<i>The Company</i>	<i>Adjustments</i>	<i>Pro forma</i>
	<i>Note (i)</i>	<i>Note (ii)</i>	<i>balances</i>
	£	£	£
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	12,500	3,313,500	3,326,000
<b>Total assets</b>	<u>12,500</u>	<u>3,313,500</u>	<u>3,326,000</u>
<b>Net Assets</b>	<u>12,500</u>	<u>3,313,500</u>	<u>3,326,000</u>

### NOTES:

- i The balance sheet of the Company at 3 April 2012 has been extracted without adjustment from the financial information set out in Part III Section A of this Admission Document. No account has been taken of the activities of the Company subsequent to 3 April 2012.
- ii The adjustments represent, in aggregate:
  - the net proceeds of the Placing of £3,276,000, comprising the issue of 75,000,000 new Ordinary Shares at £0.05 per share less associated costs of the transaction of £474,000; and
  - the receipt of £37,500, representing the unpaid element of the 9,999,800 Ordinary Shares issued on 3 April 2012.

16 May 2012



The Directors  
Cluff Natural Resources Plc  
15 Carteret Street  
London SW1H 9DJ

The Directors  
Shore Capital and Corporate Limited  
Bond Street House  
14 Clifford Street  
London W1S 4JU

The Directors  
Shore Capital Stockbrokers Limited  
Bond Street House  
14 Clifford Street  
London W1S 4JU

Dear Sirs

We report on the unaudited pro forma financial information set out in Part III Section B of the AIM Admission Document (the "Admission Document") dated 16 May 2012 of Cluff Natural Resources Plc (the "Company") which has been prepared on the basis of the notes thereto, for illustrative purposes only, to provide information about how the Placing might have affected the financial information presented on the basis of the accounting policies adopted by the Company. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

### **Responsibilities**

It is the responsibility of the Directors of the Company (the "Directors") to prepare the pro forma financial information in accordance with Schedule Two of the AIM Rules. It is our responsibility to form an opinion on the financial information as to the proper compilation of the unaudited pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the unaudited pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with reasonable assurance that the unaudited pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Crowe Clark Whitehill LLP**

## PART IV

### ADDITIONAL INFORMATION

#### 1. Responsibility

- 1.1 The Directors, whose names and functions are set out on page 5 of this document, and the Company accept responsibility, both individually and collectively, for the information contained in this document and for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 Crowe Clark Whitehill LLP accepts responsibility for its reports contained in Part III of this document. To the best of knowledge of Crowe Clark Whitehill LLP, which has taken all reasonable care to ensure that such is the case, the information contained in such reports is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. The Company

- 2.1 The Company was incorporated and registered in England and Wales on 21 February 2012 as a private company limited by shares with registered number 07958581. The Company was incorporated with the name Cluff Natural Resources Limited and was re-registered as a public limited company on 19 April 2012 with the name Cluff Natural Resources Plc.
- 2.2 The registered office and principal place of business of the Company is 15 Carteret Street, London, SW1H 9DJ, United Kingdom and its telephone number is +44(0)20 7340 9790. The address of the Company's website on which the information required by Rule 26 of the AIM Rules is available is [www.cluffnaturalresources.com](http://www.cluffnaturalresources.com).
- 2.3 The principal legislation under which the Company operates is the Act and regulations made under the Act.
- 2.4 The Company is domiciled in England and Wales.
- 2.5 The liability of the members of the Company is limited to the amount, if any, unpaid on the shares held by them.
- 2.6 The principal activity of the Company is that of a holding company.

#### 3. Share Capital

- 3.1 The history of the Company's share capital since its incorporation on 21 February 2012 is as follows:
  - (a) on incorporation, one subscriber share of £1 was issued to John Gordon Cluff;
  - (b) on 3 April 2012 each of the issued and unissued Ordinary Shares of £1 each in the capital of the Company were subdivided into 200 shares of £0.005; and
  - (c) on 3 April 2012, 9,999,800 Ordinary Shares were issued to John Gordon Cluff, each one-quarter paid up.
- 3.2 By a resolution of the Company passed on 4 May 2012, it was resolved that the Directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of:
  - (a) up to £385,000 in respect of shares to be allotted pursuant to the Placing and Subscription;

- (b) up to £234,200 pursuant to the terms of the Warrants;
- (c) up to £225,000 pursuant to the terms of the LTI Agreement;
- (d) up to £75,000 pursuant to the terms of the Share Option Plan;
- (e) up to £217,500 (being 50 per cent. of the Enlarged Share Capital of the Company on Admission);
- (f) up to £290,000 (after deducting from such limit any shares allotted under paragraph (e) above) in connection with an offer by way of a rights issue:
  - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
  - (ii) to holders of other equity securities as required by the rights of those securities or, as the Directors otherwise consider necessary,

but subject to such exclusions, limits, restrictions or other arrangements as the Directors may deem necessary, appropriate or expedient to deal with treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory, the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever.

The authority conferred by this resolution shall expire 15 months after the passing of the resolution or at the conclusion of the next annual general meeting of the Company following the passing of the resolution, whichever occurs first, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or subscription or conversion rights to be granted after such expiry and the Directors may allot shares or grant subscription or conversion rights in pursuance of any such offer or agreement as if the authority conferred hereby had not expired. All authorities and powers previously conferred upon the Directors of the Company pursuant to section 551 of the Act shall be revoked but without prejudice to any exercise of such other authorities and powers prior to the date on which this resolution is passed.

3.3 By a resolution of the Company passed on 4 May 2012, it was resolved that, in accordance with sections 570 and 573 of the Act, the Directors be and they are hereby empowered to allot equity securities (within the meaning of section 560 of the Act), grant rights over or otherwise dispose of equity securities wholly for cash pursuant to the authority conferred by the resolution referred to in paragraph 3.2 above as if section 561 of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of:

- (a) £385,000 in connection with the issue of the Placing Shares and the Subscription Shares;
- (b) £234,200 in connection with the issue of the Warrants;
- (c) £225,000 in connection with the LTI Agreement;
- (d) £75,000 in connection with the Share Option Plan;
- (e) in connection with an offer of, or invitation to apply for, equity securities by way of rights to the holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing respective holdings of Ordinary Shares and to holders of other equity securities, as required by the rights of those securities or as the Directors otherwise consider necessary, on a record date fixed by the Directors but subject to such exclusions, limits, restrictions or other arrangements as the Directors may consider necessary, appropriate or expedient to deal with treasury shares, fractional entitlements, record dates, any legal or practical problems in or under the laws of any territory, the requirements of any regulatory body or any stock exchange in any territory or any other matter whatsoever; and
- (f) in the case of an authority granted under the resolution referred to in paragraph 3.2 above and/or in the case of any sale of treasury shares for cash (other than pursuant to sub-paragraphs

(a), (b), (c), (d) and (e) above) having a nominal amount or giving the right to subscribe for or convert into relevant shares having a nominal amount, not exceeding in aggregate £43,500, (being equal to approximately 10 per cent. of the Enlarged Share Capital).

The power conferred by this resolution shall expire 15 months after the passing of the resolution or at the conclusion of the next annual general meeting of the Company following the passing of the resolution, whichever occurs first, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or subscription or conversion rights to be granted after such expiry and the Directors may allot shares or grant subscription or conversion rights in pursuance of any such offer or agreement as if the authority conferred hereby had not expired. All authorities and powers previously conferred upon the Directors pursuant to section 561 of the Act shall be revoked but without prejudice to any exercise of such other authorities and powers prior to the date on which this resolution is passed.

- 3.4 On 15 May 2012, the Directors resolved to allot, conditional upon Admission, the Placing Shares pursuant to the Placing.
- 3.5 The issued and fully paid share capital of the Company as at the date of this document and as it is expected to be immediately following Admission is as follows:

<i>Ordinary Shares</i>	<i>Number</i>	<i>Nominal value (£)</i>
As at the date of this document	10,000,000	50,000
Immediately following Admission	87,000,000	435,000

- 3.6 The Company does not have an authorised share capital.
- 3.7 A total of 75,000,000 Placing Shares will be issued pursuant to the Placing. This will result in an increase of 870 per cent to the existing issued share capital of the Company and a dilution to the interests in the Company of the holders of Existing Ordinary Shares of 870 per cent.
- 3.8 The Placing Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends or other distributions declared, made or paid on the Ordinary Shares after Admission.
- 3.9 The Ordinary Shares in issue on Admission will be in registered form and, following Admission, may be held either in certificated form or in uncertificated form. The records in respect of Ordinary Shares held in uncertificated form will be maintained by Euroclear UK & Ireland Limited and the Registrar.
- 3.10 It is expected that, where appropriate, share certificates in respect of Placing Shares will be despatched by post within 7 days of the date of Admission. Temporary documents of title will not be issued. Pending the despatch of definitive share certificates, transfers will be certified against the register of members of the Company.
- 3.11 None of the Ordinary Shares are being marketed or made available in whole or in part to the public in conjunction with the application for Admission.
- 3.12 The legislation under which the Ordinary Shares have been created is the Act and regulations made under the Act.
- 3.13 The Ordinary Shares are denominated in pounds sterling. The nominal value of an Ordinary Share is £0.005.
- 3.14 The International Securities Identification Number or ISIN for the Ordinary Shares is GB00B6SYKF01 with SEDOL B6SYKF0.
- 3.15 The Ordinary Shares are not redeemable. However, the Company may, subject to the requirements of the Act, purchase any of the Ordinary Shares on or off-market. The Company may purchase Ordinary

Shares only out of distributable reserves or the proceeds of a new issue of shares made for the purpose of financing the purchase.

- 3.16 Save as disclosed in this paragraph 3 or in paragraphs 12.5, 12.6, 12.7 and 9 of this Part IV:
- (a) no shares in the capital of the Company have been issued otherwise than as fully paid;
  - (b) the Company does not have in issue any shares not representing capital;
  - (c) the Company does not hold any treasury shares;
  - (d) the Company does not have in issue any convertible securities, exchangeable securities or securities with warrants;
  - (e) there are no acquisition rights and/or obligations over any unissued shares in the capital of the Company and no undertaking has been given by the Company to increase its issued share capital; and
  - (f) no share or loan capital of any member of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.17 No shares in the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.18 There are no undertakings in which the Company holds a proportion of the capital that is likely to have a significant effect on the assessment of the Company's assets and liabilities, financial position or profits and losses.

#### 4. **Articles of Association**

The Articles, which were adopted by a special resolution passed on 19 April 2012 contain, amongst others, provisions to the following effect:

##### 4.1 ***Limited liability***

The liability of the Company's members is limited to the amount (if any) unpaid on the shares in the Company held by them.

##### 4.2 ***Unrestricted objects***

The objects of the Company are unrestricted.

##### 4.3 ***Share rights***

###### *Rights of different classes of shares*

Subject to the provisions of the Act and to any rights attached to any existing shares, the Company may issue shares with such rights or restrictions as the Company may by ordinary resolution determine or, in the absence of any such determination, as the Board may decide. Subject to the provisions of the Act and to any rights attached to any existing shares, the Company may also issue shares which are to be redeemed or which, at the option of the Company or the holder, are liable to be redeemed. The Board may decide the terms, conditions and manner of redemption of any redeemable shares which are issued.

###### *Voting rights*

Subject to any rights or restrictions as to voting attached to any shares and to any suspension or abrogation of voting rights pursuant to the Articles:

- (a) on a vote on a resolution on a show of hands, every member present (not being present by proxy) and entitled to vote on the resolution has one vote and every proxy present who has been

duly appointed by a member entitled to vote on the resolution has one vote (save that a proxy who has been appointed by more than one member has one vote for and one vote against if he has been instructed to vote in different ways on the resolution); and

- (b) on a vote on a resolution on a poll, every member who is present in person or by proxy and entitled to vote on the resolution has one vote for every share of which he is the holder.

Unless the Board otherwise decides, no member is entitled in respect of any share held by him to vote on any resolution at a shareholders meeting, either in person or by proxy, if any call or other sum presently payable by him to the Company in respect of that share remains unpaid.

#### *Variation of rights*

Subject to the provisions of the Act, if at any time the share capital of the Company is divided into different classes of share, the rights attached to any class may be varied either with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class and may be so varied either while the Company is a going concern or during or in contemplation of a winding up. The quorum at any such separate meeting (other than an adjourned meeting) shall be not less than two persons entitled to vote and holding or representing by proxy at least one third in nominal value of the issued shares of the relevant class (excluding any shares of that class held as treasury shares).

#### *Transfer of shares*

A member may transfer all or any of his shares which are in certificated form by an instrument of transfer in any usual form or common form or in any other form approved by the Board. The instrument of transfer must be signed by or on behalf of the transferor and, if the share is not fully paid, by or on behalf of the transferee. A member may transfer all or any of his shares which are in uncertificated form by means of a relevant system in accordance with the Act.

The Board may refuse to register the transfer of a share which is not fully paid or on which the Company has a lien provided that, in the case of a class of shares admitted to trading on AIM, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

The Board may refuse to register a transfer of a certificated share unless the instrument of transfer is:

- (a) in respect of only one class of share;
- (b) in favour of not more than four persons jointly; and
- (c) lodged (duly stamped if required) at the place where the register of members is situated (or such other place as the Board may appoint) accompanied (except in the case of a transfer by a person to whom the Company is not by law required to issue a certificate and to whom a certificate has not been issued) by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

The Board may refuse to register a transfer of an uncertificated share in the circumstances set out in the Act or if the transfer is in favour of more than four persons jointly.

Subject to the above and subject to the transfer restrictions summarised in the paragraph headed "*Suspension of rights attaching to shares*" below, the Articles contain no restrictions on the free transferability of fully paid shares.

#### *Pre-emption rights*

There are no pre-emption rights under the Articles in respect of transfers of issued shares or the allotment of new shares.

Section 561 of the Act confers on holders of Ordinary Shares rights of pre-emption in respect of the allotment by the Company of equity securities (as defined in section 560 of the Act) which are, or are to be, paid up in cash. Under these statutory pre-emption rights, the Company is, subject to certain limited exceptions, required to offer to allot the equity securities concerned to holders of Ordinary Shares on a *pro rata* basis before allotting them to other persons. These statutory pre-emption rights have been disapplied to the extent set out in paragraph 3.3 above.

#### *Suspension of rights attaching to shares*

Under section 793 of the Act, the Company may send out a notice (a “section 793 notice”) to any person whom the Company knows or has reasonable cause to believe to be interested in its shares (or to have been so interested at any time during the preceding three years) asking for information concerning his interest in the shares and information concerning any other interest in the shares of which he is aware.

If a member, or any other person appearing to be interested in shares held by that member, has been served with a section 793 notice and has failed in relation to any shares (the “default shares” which expression includes any further shares issued in respect of those shares) to give the Company the information required by the section 793 notice for a period of 14 days from the date of its service, then (unless the Board otherwise determines) the following sanctions apply:

- (a) the member is not entitled in respect of the default shares to attend or to vote (either in person or by proxy) at any meeting or on a poll or to exercise any other right conferred by membership in relation to shareholder meetings;
- (b) where the default shares represent 0.25 per cent. or more in nominal value of the issued shares of any class of shares of the Company (excluding any shares of that class held as treasury shares):
  - (i) any dividend or any other amount payable in respect of the default shares is to be withheld by the Company (without the Company being liable to pay interest on it) and the member is not entitled to elect to receive shares in lieu of dividend; and
  - (ii) save for an excepted transfer, no transfer of any default shares is to be registered unless the member is not himself in default in supplying the information required and he proves to the satisfaction of the Board that no person in default in supplying the information required is interested in any of the shares the subject of the transfer.

Where the sanctions described above apply, they cease to have effect (and any dividend or other money withheld becomes payable) at the expiry of seven days (or such shorter period as the Board may decide) following the earlier of:

- (a) the date on which the Company receives notification that the default shares have been transferred by means of an excepted transfer; and
- (b) the date on which the Company receives, in a form satisfactory to the Board, all of the information required by the relevant section 793 notice.

For the purposes of the above, an “excepted transfer” is: (i) a transfer by way of acceptance of a takeover offer; (ii) a transfer in consequence of a sale made through a recognised investment exchange or any other stock exchange outside the UK on which the Company’s shares are normally traded; or (iii) a transfer which is shown to the satisfaction of the Board to be made in consequence of a sale of the whole of the beneficial interest in the shares to a person who is unconnected with the member and with any other person appearing to be interested in the shares.

#### *Dividends*

Subject to the provisions of the Act and the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the

Company. However, no dividend shall exceed the amount recommended by the Board. If and so far as in the opinion of the Board, the profits of the Company available for distribution justify such payments, the Board may declare and pay fixed dividends on shares of any class carrying a fixed dividend on the dates prescribed for the payment of those dividends and interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as the Board thinks fit.

Except as otherwise provided by the rights attaching to, or the terms of issue of, any shares, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is declared and paid and shall be apportioned and paid proportionately to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For this purpose, no amount paid up on a share in advance of the date on which a call is payable shall be treated as paid up on the share.

Unless otherwise provided by the rights attaching to the share, no dividend or other monies payable in respect of a share shall bear interest as against the Company. The Board may deduct from any dividend or other monies payable to any person in respect of a share all such sums as may be due from that person to the Company on account of calls or otherwise in relation to shares in the Company.

Any unclaimed dividend or other amount payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend which has remained unclaimed for a period of 12 years after it was declared or became due for payment shall, if the Board so resolves, be forfeited and shall cease to remain owing by the Company.

The Board may, with the prior authority of an ordinary resolution of the Company, offer holders of Ordinary Shares (excluding Ordinary Shares held as treasury shares) the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of all or any part of any dividend specified by the ordinary resolution. The ordinary resolution may specify a particular dividend or dividends (whether declared or not) or may specify all or any dividends declared within a specified period but such period may not end later than the fifth anniversary of the date of the meeting at which the resolution is passed.

#### *Distribution of assets on liquidation*

If the Company is wound up (whether the liquidation is voluntary, under supervision of the court or by the court), the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide among the members *in specie* the whole or any part of the assets of the Company. For this purpose, the liquidator may set such value as he considers fair on any one or more class or classes of property and may determine how such division shall be carried out as between members or classes of members. The liquidator may, with the same authority, transfer the whole or any part of the assets to trustees on such trusts for the benefit of members as he thinks fit.

#### **4.4 Shareholder meetings**

##### *Annual general meetings*

In accordance with the requirements of the Act, the Company must hold a general meeting as its annual general meeting in each six month period following its accounting reference date.

##### *Calling of general meetings*

The Board may call a general meeting whenever it thinks fit. The Board must, on the requirement of members under the Act, call a general meeting in accordance with the requirements of the Act.

##### *Notice of general meetings*

General meetings must be called by at least such minimum period of notice as is required under the Act which, in the case of an annual general meeting, is 21 clear days' notice and, in the case of other general meetings, is 14 clear days' notice. Notice of the meeting must be given to the members (other than any members who, under the Articles or by virtue of any restrictions imposed on any shares, are

not entitled to receive notice from the Company), to the Directors and to the auditors of the Company. The accidental omission to send notice of a general meeting to any person entitled to receive it does not invalidate the proceedings of the meeting.

Every notice of a general meeting must specify: (i) the time, date and place of the meeting; (ii) (in the case of an annual general meeting) that the meeting is an annual general meeting; (iii) the general nature of the business to be transacted at the meeting; and (iv) any intention to propose a resolution as a special resolution. In addition, the notice must specify, with reasonable prominence, that a member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting, that a member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to different shares and that a proxy need not be a member.

#### *Quorum*

No business is to be transacted at any general meeting unless a quorum is present. The quorum for a general meeting is two members present in person or by proxy and entitled to vote on the business to be transacted at the meeting.

#### *Method of voting*

At any general meeting, a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result on a show of hands) a poll is demanded in accordance with the Articles.

### 4.5 **Directors**

#### *Number and appointment of Directors*

Unless and until otherwise determined by the Company by ordinary resolution, the number of Directors shall not be less than two but shall not be subject to any maximum number. Directors may be appointed by the Company by ordinary resolution or by the Board, in each case either to fill a casual vacancy or as an addition to the existing Board.

A Director is not required to hold any shares in the Company by way of qualification.

#### *Retirement of Directors*

At each annual general meeting, any Director:

- (a) who has been appointed by the Board since the preceding annual general meeting; or
- (b) who held office at the time of the two preceding annual general meetings and who did not retire at either of them; or
- (c) who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting,

shall retire from office but shall be eligible for re-appointment.

#### *Removal of a Director by resolution of the Company*

In addition to any power of removal conferred by the Act, the Company may by ordinary resolution remove any Director from office and appoint another person in place of a Director so removed.

#### *Vacation of office*

The Articles provide for the office of a Director to be vacated in the following circumstances:

- (a) if he resigns or offers to resign and the Board resolves to accept such offer;

- (b) if he ceases to be a Director by virtue of any provision of the Act, is removed from office pursuant to the Articles or the Act or becomes prohibited by law from acting as a Director;
- (c) if he becomes bankrupt, has an interim receiving order made against him, makes any arrangement with or compounds with his creditors generally or applies to the court for an interim order under the Insolvency Act 1986 in connection with a voluntary arrangement under that Act;
- (d) if he is, or may be, suffering from mental disorder or is otherwise incapable of managing his affairs and either:
  - (i) an order is made by any court or official having jurisdiction (whether in the UK or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs; or
  - (ii) he is admitted to hospital following an application for admission for treatment under the Mental Health Act 1983 or any similar legislation in any other jurisdiction,
 and the Board resolves that his office be vacated;
- (e) if he is absent from meetings of the Board for a period of six consecutive months without the permission of the Board and his alternate Director (if any) has not attended in his place during that period and the Board resolves that his office be vacated;
- (f) (without prejudice to any claim for damages which he may have for breach of any contract between him and the Company) if he is removed from office by a notice in writing addressed to him at his last known address signed by at least three fourths in number of his co-Directors;
- (g) in the case of any Director who holds any executive office with the Company, if his appointment as such is terminated or expires and the Board resolves that his office be vacated.

#### *Alternate directors*

Any Director may appoint any person to be his alternate and may remove any alternate appointed by him. The appointment requires the approval of the Board unless the appointee is another Director.

#### *Directors' remuneration and expenses*

Each Director is entitled to be paid by way of remuneration for his services as a Director such fee as may be decided by the Board but the aggregate of all fees so paid to Directors must not exceed £350,000 per annum (or such other amount as may be decided by ordinary resolution of the Company). Such fee shall be distinct from and additional to any salary, remuneration or other amounts which may be paid or provided to a Director under any other provision of the Articles.

Any Director who performs any special or extra services which in the opinion of the Board are outside the scope of his ordinary duties as a Director and not in his capacity as a holder of employment or executive office may be paid such additional remuneration (whether by way of lump sum, salary, commission, participation in profits or otherwise) as the Board may decide in addition to any remuneration paid or provided for pursuant to any other provision of the Articles.

The salary or remuneration of any Director appointed to hold any employment or executive office shall be such as the Board may decide and may be either a fixed sum of money or may, in whole or in part, be governed by business done or profits made or otherwise decided by the Board. Any such salary or remuneration may be in addition to or in lieu of any fee payable to him for his services as a Director under the Articles.

Each Director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as a Director, including any expenses incurred in attending meetings of the Board or any committee of the Board or shareholder meetings.

#### *Pensions and other benefits*

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) to or for the benefit of, amongst other persons, any past or present director of the Company or any of its subsidiary undertakings, members of his family and his dependants.

The Board may also exercise all the powers of the Company to purchase and maintain insurance for or for the benefit of, amongst other persons, any past or present director of the Company or any of its subsidiary undertakings.

#### *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure (but, as regards subsidiary undertakings, only so far as by the exercise of such rights or powers of control, the Board can secure) that the aggregate principal amount outstanding at any time of all borrowings by the Company after deducting cash deposited shall not, save with the previous sanction of an ordinary resolution of the Company, exceed an amount equal to three times the adjusted capital and reserves (as defined in the Articles).

#### *Proceedings of the Directors*

Subject to the provisions of the Articles, the Board may regulate its proceedings as it thinks fit. The quorum necessary for the transaction of business may be determined by the Board and, unless so determined at any other number, shall be two. A duly convened meeting of the Board at which a quorum is present is competent to exercise all or any of the powers, authorities and discretions vested in or exercisable by the Board. Questions arising at any meeting of the Board shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting has a second or casting vote.

A resolution in writing signed by all the Directors who would have been entitled to vote on the resolution at a meeting of the Board (provided that those Directors would have formed a quorum at such a meeting) is as valid and effective as a resolution duly passed at a meeting of the Board.

#### *Directors' conflicts of interest*

The Board may authorise any situation or matter in which a Director (an "Interested Director") has, or can have, a direct or indirect interest which conflicts, or possibly may conflict, with the interests of the Company and which would, if not so authorised, result in the Interested Director being in breach of his statutory duty to avoid conflicts of interest. An Interested Director seeking authorisation of a conflict of interest must declare to the Board the nature and extent of his interest giving rise to the conflict as soon as reasonably practicable. An Interested Director must not be counted in the quorum or vote in respect of any resolution of the Board giving such authorisation.

Where the Board authorises a situation or matter, it may impose on the Interested Director such terms for the purpose of dealing with the conflict of interest as the Board may determine.

#### *Permitted interests of Directors*

A Director, notwithstanding his office, may:

- (a) be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is directly or indirectly interested;

- (b) hold any other office or place of profit with the Company (except that of auditor) in conjunction with the office of Director or act by himself or through a firm with which he is associated in a professional capacity for the Company or any body corporate in which the Company is directly or indirectly interested (otherwise than as auditor);
- (c) be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested (including by the holding of shares or other securities) in, any body corporate promoted by the Company or in which the Company is otherwise directly or indirectly interested or as regards which the Company has any powers of appointment; and
- (d) be a director of any body corporate in which the Company is not directly or indirectly interested if, at the time of his appointment as a director of that other company, such appointment cannot reasonably be regarded as giving rise to a conflict of interest.

If a Director has any interest referred to above, he must, subject to certain exceptions, declare the nature and extent of that interest to the Board. The declaration must be made as soon as is reasonably practicable and, in the case of an interest in a proposed transaction or arrangement with the Company, before the Company enters into the transaction or arrangement.

#### *Directors not liable to account*

A Director is not liable to account to the Company for any remuneration, profit or other benefit which he derives from any transaction or arrangement or from any office, employment, position or relationship or from any interest in any body corporate if the relevant matter has been authorised by the Board (subject, in any such case, to the terms of such authorisation) or is permitted under the Articles.

No transaction or arrangement is liable to be avoided on the grounds that a Director has an interest in it (or derives a benefit from it) if the interest has been authorised by the Board or is permitted under the Articles.

#### *Restrictions on voting by Directors*

A Director must not vote on (or be counted in the quorum in relation to) any resolution of the Board (or of a Board committee) concerning any transaction or arrangement in which he has a direct or indirect interest. However, this prohibition does not apply to any resolution concerning a transaction or arrangement in which his interest cannot reasonably be regarded as likely to give rise to a conflict of interest or to any resolution concerning:

- (a) the giving of any guarantee, security or indemnity to the Director or any other person in respect of: (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings; or (ii) a debt or other obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility (in whole or in part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;
- (b) an offer by the Company or any of its subsidiary undertakings of securities for subscription, purchase or exchange, in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (c) a transaction or arrangement in which he has an interest only by virtue of an interest in shares, debentures or other securities of the Company or by reason of any other interest in or through the Company;
- (d) a transaction or arrangement concerning any other body corporate in which the Director (or any person connected with him) is interested (directly or indirectly) and whether as an officer, shareholder, creditor, employee or otherwise, if he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent or more of either any class

of the equity share capital of that body corporate or the voting rights available to members of that body corporate;

- (e) a transaction or arrangement concerning the adoption, modification or operation of a pension fund, superannuation or similar scheme or retirement, death or disability benefit scheme or employees' share scheme which relates both to directors and employees of the Company or any of its subsidiary undertakings and does not accord to any Director as such any privilege or benefit not accorded to the employees to whom the fund or scheme relates;
- (f) a transaction or arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings under which the Director benefits in a similar manner to the employees and which does not accord to any Director as such any privilege or benefit not accorded to the employees to whom the transaction or arrangement relates;
- (g) any proposal relating to the purchase or maintenance of insurance against any liability for the benefit of any Directors (or of persons who include Directors);
- (h) the giving of indemnities in favour of Directors; and
- (i) the funding of expenditure incurred or to be incurred by any Director in defending any criminal or civil proceedings or in connection with an application to the court for relief or in defending him in any investigation by, or against action proposed to be taken by, a regulatory authority or the doing of anything to enable any Director to avoid incurring any such expenditure.

A Director must not vote on (or be counted in the quorum in relation to) any resolution of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested.

#### *Indemnification of Directors*

Subject to the Act, every Director is entitled to be indemnified by the Company against any liability incurred by him in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or any associated company (other than any liability to the Company or any associated company or any liability of the kind referred to in section 234(3) of the Act) and any other liability incurred by him in the performance of his duties.

Subject to the Act, the Company may provide a Director with funding to meet his expenditure in defending any criminal or civil proceedings in connection with any alleged negligence, default, breach of duty or breach of trust in relation to the Company or any associated company. The Company may also provide a Director with funding to meet his expenditure in connection with any investigation or action undertaken by a regulatory authority.

**The above is a summary only of certain provisions of the Articles. The full provisions of the Articles are available on the Company's website at [www.cluffnaturalresources.com](http://www.cluffnaturalresources.com).**

## **5. Other Relevant Laws and Regulations**

### **5.1 *Disclosure and Transparency Rules***

Under Chapter 5 of the Disclosure and Transparency Rules, a person must notify the Company of the percentage of its voting rights he holds as shareholder or through his direct or indirect holding of certain financial instruments (or a combination of such holdings) if the percentage of those voting rights:

- (a) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. as a result of an acquisition or disposal of shares or such financial instruments; or
- (b) reaches, exceeds or falls below an applicable threshold in (a) as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the Company in accordance with the Disclosure and Transparency Rules.

## 5.2 *Public takeover bids*

### (a) *Takeover Code*

The Company is a public limited company incorporated and centrally managed and controlled in the UK. Accordingly, the Takeover Code applies to the Company and will, amongst other things, regulate any takeover offer for the Company and any other transaction which has its objective or potential effect (directly or indirectly) obtaining or consolidating control of the Company. For this purpose, control is defined as an interest or interests in shares carrying more than 30 per cent. of the voting rights of a company, irrespective of whether such interest or interests give *de facto* control.

### (b) *Mandatory bids*

Under Rule 9 of the Takeover Code, if an acquisition of an interest in shares in the Company were to increase the aggregate interests of the acquirer and persons acting in concert with it to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, the persons acting in concert with it would be required (except with the consent of the Takeover Panel) to make an offer for the outstanding shares in the Company. Any such offer must be in cash (or accompanied by a cash alternative) at not less than the highest price paid by the acquirer or any person acting in concert with it for an interest in shares in the Company during the previous 12 months.

A similar obligation to make a mandatory cash offer would also arise on an acquisition of an interest in shares in the Company by a person who (together with persons acting in concert with it) is interested in shares which in the aggregate carry between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of the acquisition were to increase the percentage of shares carrying voting rights in the Company in which that person is interested.

### (c) *Squeeze-out rules*

Under the Act, if a takeover offer (as defined in section 974 of the Act) is made for the Company's shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which the offer relates (the "offer shares") and not less than 90 per cent. of the voting rights carried by the offer shares, the offeror would then be able to acquire compulsorily the remainder of the offer shares. In order to do so, the offeror must send a notice to each holder of outstanding offer shares notifying him that it desires to acquire his shares and, at the end of six weeks from the date of such notices, the offeror must send copies of the notices to the Company accompanied by instruments of transfer in respect of the outstanding offer shares executed on behalf of the holders of those shares by a person appointed by the offeror. At the same time, the offeror must pay or transfer the consideration for the outstanding offer shares to the Company which is required to hold the consideration on trust for the holders of such shares.

### (d) *Sell-out rules*

The Act also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If the takeover offer relates to all the shares in the Company and, at any time before the end of the period within which the offer can be accepted, the offeror holds or has agreed to acquire not less than 90 per cent. of the Company's shares, any holder of shares to which the offer relates who has not accepted the offer can by a written communication to the offeror require the offeror to acquire those shares. The offeror is required to give any shareholder who has not accepted the offer notice of his right to be bought out within one month of that right arising. The rights of minority shareholders to be bought out cannot be exercised after the expiry of three months from the end of the period within which the offer can be accepted or, if later, the date of the notice given by the offeror. If a shareholder exercises his rights to be bought out, the offeror is entitled and bound to acquire the relevant shares on the terms of the offer or on such other terms as may be agreed.

## 6. Directors

6.1 Details of the Directors, their business address and their functions in the Company are set out on page 5 of this document under the heading “Directors, Secretary and Advisers”. Each of the Directors can be contacted at the registered office and principal place of business of the Company at 15 Carteret Street, London, SW1H 9DJ, United Kingdom.

6.2 In addition to their directorships of the Company, the Directors are currently or have within the five years prior to the date of this document been directors or partners of the following companies and partnerships:

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
Nicholas William Berry	Cluff Africa Associates UK Limited Cluff Gold Plc Daily Mail and General Trust Plc DMGT Trustees Limited Fortress Holdings Plc (in liquidation) MI Investment Holding Limited Intel Group Limited Intel Limited Saint Jean Enterprises Limited Silverdart Limited Snapshots Publications Limited Stamford Investment Trust Limited Stancroft Trust Limited Stowe School, Limited The 140 Investment Managers Limited The 140 Trustee Company Limited The Nina Lawrence Trust The Last Pharaoh Productions Limited The Thinking Foundation	Expomedia Group Plc Optica Investments Limited Stancroft Capital Limited The Mercantile Investment Trust Plc
John Gordon Cluff	Cluff Africa Associates UK Limited Cluff Africa Coal Limited Cluff Coal Limited Cluff Geothermal Limited Cluff Gold (Mali) Limited Cluff Gold (West Africa) Limited Cluff Gold Plc Cluff Gold UK Limited Cluff Mining (West Africa) Limited Cluff Natural Resources Limited Cluff Offshore Oil Limited The Commonwealth Institute	Cluff Africa Associates UK Limited Stowe School, Limited The Stowe House Preservation Trust
Peter Nigel Cowley	African Nickel Limited Banro Corporation Cluff Africa Associates UK Limited Cluff Coal Limited Cluff Gold Plc Loncor Resources Inc	Cluff Mining (Ghana) Limited

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
Doctor Robert Victor Danchin	Cluff Gold Plc Mineral Deposits Limited Predictive Discovery Limited	GMA Resources Plc
Brian FitzGerald	Altera Partners Management Limited E.D. Sassoon & Company Limited Haddeo Partners LLP One Strathmore Gardens Limited St George's Golf Club Trust Limited	Libsat Consortium Managers Limited Liberty Corporate Capital Limited Liberty Syndicate Management Limited Liberty Syndicate Services Limited
William Herbrand De Le Warr	Moorcroft Racehorse Welfare Centre	Shore Capital Stockbrokers Limited

6.3 Nicholas Berry was a director of Expomedia Group Plc until 24 September 2007. The company was placed into administration and joint administrators were appointed on 16 January 2009. Expomedia Group Plc was placed into creditors' voluntary liquidation on 12 July 2010.

6.4 Save as disclosed in paragraph 6.3 above, as at the date of this document, no Director:

- (a) has any unspent convictions in relation to indictable offences;
- (b) has been declared bankrupt or been subject to any individual voluntary arrangement;
- (c) has been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which has entered into a company voluntary arrangement or a composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- (d) has been a partner in any partnership which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (e) has had any asset belonging to him placed in receivership or has been a partner in any partnership which had an asset placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (f) has been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body); or
- (g) has been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

## 7. **Directors' Service Agreements and Letters of Appointment**

7.1 The following agreements have been entered into between the Directors and the Company:

- (a) *Algy Cluff*  
Algy Cluff has entered into a service agreement with the Company dated 4 May 2012 setting out the terms of his appointment as Chief Executive Officer. The service agreement is conditional on Admission. The agreement provides for the payment by the Company to Mr. Cluff of a salary of £120,000 per annum which will increase to £200,000 per annum immediately following completion by the Company of its first corporate acquisition after Admission. In the event that the Company does not complete a corporate acquisition within six months of the date of this agreement, Mr. Cluff's salary will be reduced to £80,000 per annum.

Under the agreement, Algy Cluff is also entitled to life assurance, travel insurance, permanent health insurance and 20 days' holiday per annum. Either party may terminate the agreement on twelve months' notice. The agreement imposes certain restrictions on Mr. Cluff as regards the use of confidential information and intellectual property. In addition, Mr. Cluff will be subject to certain restrictive covenants following the termination of the agreement.

(b) *Nicholas Berry*

Nicholas Berry has entered into a letter of appointment with the Company dated 20 April 2012 setting out the terms of his appointment as a Non-executive Deputy Chairman. The letter of appointment is conditional on Admission. Under the letter of appointment, Mr. Berry is entitled to an annual fee of £30,000 and reimbursement of reasonable expenses but no other remuneration. Mr. Berry has agreed to accept a reduced fee of £20,000 for the first year of appointment on the basis that the fee is accelerated and paid on the date of Admission and subject to the condition that he immediately subscribes, pursuant to the Subscription, for Subscription Shares at the Placing Price for a total sum of £20,000. The appointment may be terminated at any time by either party giving one months' notice. The agreement imposes certain restrictions on Mr. Berry as regards the use of confidential information and intellectual property.

(c) *Peter Cowley*

Peter Cowley has entered into a letter of appointment with the Company dated 20 April 2012 setting out the terms of his appointment as a Non-executive Director. The letter of appointment is conditional on Admission. Under the letter of appointment, Mr. Cowley is entitled to an annual fee of £30,000 and reimbursement of reasonable expenses but no other remuneration. Mr. Cowley has agreed to accept a reduced fee of £20,000 for the first year of appointment on the basis that the fee is accelerated and paid on the date of Admission and subject to the condition that he immediately subscribes, pursuant to the Subscription, for Subscription Shares at the Placing Price for a total sum of £20,000. The appointment may be terminated at any time by either party giving one months' notice. The agreement imposes certain restrictions on Mr. Cowley as regards the use of confidential information and intellectual property.

(d) *Dr. Bobby Danchin*

Bobby Danchin has entered into a letter of appointment with the Company dated 20 April 2012 setting out the terms of his appointment as a Non-executive Director. The letter of appointment is conditional on Admission. Under the letter of appointment, Dr. Danchin is entitled to an annual fee of £30,000 and reimbursement of reasonable expenses but no other remuneration. Dr. Danchin has agreed to accept a reduced fee of £20,000 for the first year of appointment on the basis that the fee is accelerated and paid on the date of Admission and subject to the condition that he immediately subscribes, pursuant to the Subscription, for Subscription Shares at the Placing Price for a total sum of £20,000. The appointment may be terminated at any time by either party giving one months' notice. The agreement imposes certain restrictions on Dr. Danchin as regards the use of confidential information and intellectual property.

(e) *Brian FitzGerald*

Brian FitzGerald has entered into a letter of appointment with the Company dated 20 April 2012 setting out the terms of his appointment as a Non-executive Director. The letter of appointment is conditional on Admission. Under the letter of appointment, Mr. Fitzgerald is entitled to an annual fee of £30,000 and reimbursement of reasonable expenses but no other remuneration. Mr. Fitzgerald has agreed to accept a reduced fee of £20,000 for the first year of appointment on the basis that the fee is accelerated and paid on the date of Admission and subject to the condition that he immediately subscribes, pursuant to the Subscription, for Subscription Shares at the Placing Price for a total sum of £20,000. The appointment may be terminated at any time by either party giving one months' notice. The agreement imposes certain restrictions on Mr. FitzGerald as regards the use of confidential information and intellectual property.

(f) *The Earl De La Warr DL.*

The Earl De La Warr DL. has entered into a letter of appointment with the Company dated 20 April 2012 setting out the terms of his appointment as a Non-executive Director. The letter of appointment is conditional on Admission. Under the letter of appointment, The Earl De La Warr DL. is entitled to an annual fee of £30,000 and reimbursement of reasonable expenses but no other remuneration. The Earl De La Warr DL. has agreed to accept a reduced fee of £20,000 for the first year of appointment on the basis that the fee is accelerated and paid on the date of Admission and subject to the condition that he immediately subscribes, pursuant to the Subscription, for Subscription Shares at the Placing Price for a total sum of £20,000. The appointment may be terminated at any time by either party giving one months' notice. The agreement imposes certain restrictions on The Earl De La Warr DL. as regards the use of confidential information and intellectual property.

- 7.2 Save as set out in this paragraph 7, there are no existing or proposed service agreements, consultancy agreements or letters of appointment between any of the Directors and the Company.
- 7.3 There are no arrangements under which any Director has agreed to waive future emoluments nor have there been any waivers of such emoluments during the financial year immediately preceding the date of this document.
- 7.4 It is estimated that, under the agreements in force at the date of this document, the aggregate remuneration payable and benefits in kind to be granted to the Directors in the financial year ending 31 December 2012 will be between £140,090 and £193,405, depending on whether or not (and, if so, at what stage in the year) the Company completes a corporate acquisition. For further details refer to the description of Algy Cluff's service agreement in paragraph 7.1(a) of Part IV of this document.

## 8. **Directors' Shareholdings and Other Interests**

- 8.1 The interests (all of which are beneficial, unless otherwise stated) of the Directors (including, so far as is known to the Directors having made appropriate enquiries, the interests of any persons connected with the Directors within the meaning of section 252 of the Act) in the issued share capital of the Company as at the date of this document and as they will be immediately following Admission are as follows:

### *At the date of this document*

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of current issued share capital</i>
Nicholas William Berry	–	0.0%
John Gordon Cluff	10,000,000	100.0%
Peter Nigel Cowley	–	0.0%
Doctor Robert Victor Danchin	–	0.0%
Brian FitzGerald	–	0.0%
The Earl De Le Warr DL.	–	0.0%

### *At Admission*

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of current issued share capital</i>
Nicholas William Berry	400,000	0.5%
John Gordon Cluff	10,000,000	11.5%
Peter Nigel Cowley	400,000	0.5%
Doctor Robert Victor Danchin	400,000	0.5%
Brian FitzGerald	400,000	0.5%
The Earl De Le Warr DL.	1,000,000	1.1%

- 8.2 In addition to the interests in Ordinary Shares set out in paragraph 8.1 above, Algy Cluff has been granted the Existing Warrants (details of which are set out in paragraph 12.6 below) and LTI Rights, (details of which are set out in paragraph 9 below).
- 8.3 Save as disclosed in this paragraph 8, no Director has any interest (whether beneficial or non-beneficial) in the share or loan capital of the Company nor (so far as is known to the Directors having made appropriate enquiries) does any person connected with any of the Directors within the meaning of section 252 of the Act have any such interest (whether beneficial or non-beneficial).
- 8.4 None of the Directors nor (so far as is known to the Directors having made appropriate enquiries) any person connected with any of the Directors within the meaning of section 252 of the Act holds a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.
- 8.5 There are no outstanding loans or guarantees granted or provided by the Company to or for the benefit of any of the Directors.
- 8.6 Save as disclosed in this document, no Director has or has had any interest, whether direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Company.
- 8.7 Save as disclosed in this document, no Director has or has had any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company since its incorporation or which remains in any respect outstanding or unperformed.
- 8.8 No Director has any conflict of interest (or potential conflict of interest) between any of the duties owed by him to the Company and his private interests or any duties owed by him to third parties
- 8.9 Details of any restrictions agreed by the Directors with regard to the disposal of their holdings in the Company's securities are set out in paragraph 12.4 of this Part IV.

## 9. **Long Term Incentive Agreement**

### 9.1 **General**

The Company entered into the LTI Agreement with Algy Cluff on 4 May 2012 pursuant to which Mr. Cluff may acquire Ordinary Shares at nil cost equal to up to 3 per cent. of the Company's issued share capital as at 31 December in each of the financial years 2012, 2013, 2014, 2015 and 2016, subject to the performance conditions summarised in paragraph 9.2 being met and to the terms and conditions of the LTI Agreement.

LTI Rights granted under the LTI Agreement are non-transferrable except in the case of death, in which case outstanding LTI Rights may be exercised by Mr. Cluff's personal representatives.

### 9.2 **Performance conditions**

Except as set out in paragraphs 9.5 to 9.7 below, the LTI Rights vest and become exercisable as follows:

- (a) LTI Rights in respect of 3 per cent. of the issued share capital as at 31 December 2012 will vest and become exercisable on 31 December 2012 if the share price has been equal to or greater than £0.10 at any time during the financial year 2012;
- (b) LTI Rights in respect of 3 per cent. of the issued share capital as at 31 December 2013 will vest and become exercisable on 31 December 2013 if the share price has been equal to or greater than £0.15 at any time during the financial year 2013;
- (c) LTI Rights in respect of 3 per cent. of the issued share capital as at 31 December 2014 will vest and become exercisable on 31 December 2014 if the share price has been equal to or greater than £0.225 at any time during the financial year 2014;

- (d) LTI Rights in respect of 3 per cent. of the issued share capital as at 31 December 2015 will vest and become exercisable on 31 December 2015 if the share price has been equal to or greater than £0.3375 at any time during the financial year 2015; and
- (e) LTI Rights in respect of 3 per cent. of the issued share capital as at 31 December 2016 will vest and become exercisable on 31 December 2016 if the share price has been equal to or greater than £0.50625 at any time during the financial year 2016.

In the event that any of the performance conditions above are not met at the end of the relevant financial year, the right to acquire the 3 per cent. tranche of Ordinary Shares that relates to that financial year lapse immediately and Mr. Cluff will have no further rights in respect of that tranche of Ordinary Shares even if the price per share subsequently exceeds the price per share stated in respect of that financial year.

### 9.3 *Exercise of LTI Rights*

LTI Rights can be exercised in whole or in part once they have vested in accordance with the LTI Agreement.

On the exercise of LTI Rights the Company will procure that the nominal value payable in respect of the issue of Ordinary Shares will be paid up: (a) by making a payment to Mr. Cluff equal to the aggregate nominal values of the relevant Ordinary Shares grossed up for income tax and social security charges, the net amount of which will be applied in paying up the aggregate nominal values payable in respect of the relevant Ordinary Shares; or (b) by funding the trustees of an employee benefit trust to subscribe for the Ordinary Shares at nominal value then transfer them to Mr. Cluff at nil cost.

### 9.4 *Lapse of LTI Rights*

LTI Rights will lapse on the tenth anniversary of the date of grant, the bankruptcy of the participant, a non-voluntary winding-up of the Company or the participant committing any act or omission which would entitle the Company to terminate his office or employment without notice. LTI Rights also lapse following cessation of employment or office or a corporate transaction, as set out below.

### 9.5 *Cessation of employment or office – “good leaver” reasons*

In the event that Mr. Cluff ceases to be an employee or officer of the Company or any member of the Company’s group due to death, injury, disability, retirement, redundancy or (at the sole discretion of the Board) any other reason:

- LTI Rights will cease to vest but the Board may permit unvested rights to vest in full or in part; and
- LTI Rights will lapse six months after the date of cessation (unless the Board exercises its discretion to permit the rights to be exercisable for a longer period) or one year after cessation due to the employee’s death.

### 9.6 *Cessation of employment or office – other reasons*

In the event that Mr. Cluff ceases to be an employee or officer of the Company or any member of the Company’s group for any reason other than those set out above, LTI Rights will lapse immediately.

### 9.7 *Corporate transactions*

If any person: (i) acquires control of the Company as a result of making a general offer to acquire the whole issued share capital of the Company; or (ii) acquires all or substantially all of the Company’s business and assets, vested LTI Rights can be exercised for three months (or if later during any time that person is bound or entitled to acquire the Company’s shares under sections 974 to 991 of the Act), following which they lapse.

If there is a scheme of arrangement under section 889 of the Act, vested LTI Rights can be exercised within one month of court sanction, following which they lapse.

If the Company gives notice to the Shareholders of a meeting at which a resolution for the voluntary winding-up of the Company is to be proposed, vested LTI Rights can be exercised prior to but conditional upon passing of the resolution, failing which they lapse on passing of the resolution.

In the circumstances of a takeover offer for the Company which is subsequently declared unconditional as to acceptances, completion of a takeover by scheme of arrangement or an acquisition of all or substantially all of the business or assets of the Company (the "Takeover Offer"), the Board will have the discretion to accelerate vesting and permit exercise of the current and next year's LTI Rights before the date of the Takeover Offer subject to the share price targets for such years having been reached or exceeded at any time prior to the date of the Takeover Offer.

If there is any variation in the share capital of the Company, LTI Rights will be adjusted in such manner as the Board considers appropriate so that their economic value is maintained.

#### 9.8 *Tax withholding*

The LTI Agreement permits the Company to withhold or collect a sum equal to the income tax and employee social security contributions (if any) for which the employing company must account under any withholding tax system on exercise of the LTI Rights. The Company has the right to sell shares acquired through the exercise of LTI Rights in order to obtain funds to operate withholding.

### 10. **Share Option Plan**

10.1 The Company operates the Share Option Plan pursuant to which options over Ordinary Shares may be granted to Directors and employees of the Company. A summary of the rules of the Share Option Plan is set out in paragraphs 10.3 to 10.14 below.

10.2 As at the date of this document, no options have been granted under the Share Option Plan.

#### 10.3 *General*

The Company adopted the Share Option Plan on 4 May 2012. The Share Option Plan will be administered under the direction of the Board. The Share Option Plan will allow the grant of options to acquire fully paid Ordinary Shares to eligible employees, save that no options can be granted more than 10 years after adoption of the Share Option Plan.

#### 10.4 *Eligible employees*

Any employed Director or employee of the Company or any group company is eligible to receive grants under the Share Option Plan. Non-executive Directors are not eligible to receive grants. Options are non-transferrable except in the case of an optionholder's death, in which case outstanding options may be exercised by the personal representatives of the optionholder.

#### 10.5 *Share Option Plan Limits*

The maximum number of Ordinary Shares in respect of which options can be granted under the Share Option Plan is 20 per cent. of the Company's issued ordinary share capital, including all awards made over the 10 years preceding the date of grant. This limit also includes any rights granted under any other employee share incentive arrangements operated by the Company, including the LTI Agreement but excludes rights that: (i) have lapsed, been forfeited or released; (ii) will be met by the transfer of shares already in issue; or (iii) are granted to replace an award over shares in a company acquired by the Company or any member of its group.

#### 10.6 *Grant of Options*

The Board has absolute discretion to grant options to optionholders subject to any time vesting or performance conditions that it specifies. The grant of options will be evidenced by an option

agreement (an “**Option Agreement**”). The exercise price of options will be set by the Board but must not be less than the market value of the Company’s shares at the date of grant.

#### 10.7 *Performance conditions*

The Board can specify any performance based conditions which must be met before options can be exercised. Such performance conditions can be waived or amended if the Board fairly and reasonably considers that different performance conditions would be a fairer measure of performance. The new performance conditions must be no more difficult to achieve than the old performance conditions were when imposed.

#### 10.8 *Exercise of Options*

Options can be exercised in whole or in part once they have vested in accordance with any time vesting schedule and performance conditions specified in the Option Agreement.

#### 10.9 *Lapse of Options*

Options will lapse on the tenth anniversary of the date of grant, the bankruptcy of the optionholder, a non-voluntary winding-up of the Company or the optionholder committing any act or omission which would entitle the Company to terminate his office or employment without notice. Options also lapse following cessation of employment or a corporate transaction, as set out below.

#### 10.10 *Cessation of employment or office – “good leaver” reasons*

In the event that an optionholder ceases to be an employee or officer of the Company or a group company due to death, injury, disability, retirement, redundancy, a sale of the employing company or undertaking outside the group or (at the sole discretion of the Board) any other reason:

options will cease to vest but the Board may permit unvested rights to vest in full or in part; and

options will lapse two months after the date of cessation (unless the Board exercises its discretion to permit the rights to be exercisable for a longer period) or one year after cessation due to the employee’s death.

#### 10.11 *Cessation of employment or office – other reasons*

In the event that an optionholder ceases to be an employee or officer of the Company or a group company for any reason other than those set out above, options will lapse immediately.

#### 10.12 *Corporate transactions*

If any person: (i) acquires control of the Company as a result of making a general offer to acquire the whole issued share capital of the Company; or (ii) acquires all or substantially all of the Company’s business and assets, vested options can be exercised for three months (or, if later, during any time that person is bound or entitled to acquire the Company’s shares under applicable legislation), following which they lapse.

If there is a scheme of arrangement under section 899 of the Act, vested options can be exercised within one month of court sanction, following which they lapse.

If the Company gives notice to its shareholders of a meeting at which a resolution for the voluntary winding-up of the Company is to be proposed, vested options can be exercised prior to but conditional upon passing of the resolution, failing which they lapse on passing of the resolution.

The Board will have the discretion to accelerate vesting and permit optionholders to exercise their options before the date of the relevant corporate transaction. The Board can also procure that the optionholder will be granted new rights in substitution for their existing options, provided that the new rights are no less valuable overall than the prior rights.

If there is any variation in the share capital of the Company, options will be adjusted in such manner as the Board considers appropriate.

#### 10.13 *Amendments*

The Board may alter the rules of the Share Option Plan from time to time except that no alteration or addition may be made to the advantage of optionholders without the approval of the Company in general meeting, unless it is a minor amendment to benefit the administration of the Share Option Plan. Additionally, no amendment can be made which would adversely affect the rights of optionholders without their consent.

#### 10.14 *Tax withholding*

The Share Option Plan permits the employing company to withhold or collect from optionholders a sum equal to the income tax and employee social security contributions (if any) for which the employing company must account under any withholding tax system. The Company has the right to sell shares acquired through the exercise of options in order to obtain funds to operate withholding.

### 11. **Major Shareholders**

- 11.1 In addition to the interests of the Directors disclosed in paragraph 8 above, the Directors are aware of the following persons who are at the date of this document, or will immediately following Admission be, directly or indirectly interested in 3 per cent. or more of the Company's issued share capital or voting rights:

#### *As at the date of this document*

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of current issued share capital</i>
John Gordon Cluff	10,000,000	100%

#### *At Admission*

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of current issued share capital</i>
John Gordon Cluff	10,000,000	11.5%
JM Finn Nominees Limited	6,300,000	7.2%
Clients of Guinness Asset Management Ltd	6,000,000	6.9%
Fleming Mercantile Investment Trust	5,000,000	5.7%
JIM Nominees Ltd	3,784,500	4.4%
Pershing Nominees Limited	3,670,000	4.2%
Brewin Dolphin Nominees Limited	3,600,000	4.1%
LR Nominees Limited	2,800,000	3.2%

- 11.2 None of the persons interested, directly or indirectly, in 3 per cent. or more of the Company's issued share capital or voting rights has voting rights which are different from other Shareholders.
- 11.3 Save as disclosed in this paragraph 11, the Company is not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 11.4 So far as the Directors are aware, there are no arrangements in place, the operation of which may at a later date result in a change of control of the Company.

## 12. Material Contracts

### 12.1 Introduction

This paragraph 12 contains summaries of the contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Company since its incorporation and are or may be material.

### 12.2 Nominated adviser and broker agreement

On 15 May 2012 the Company entered into an agreement with SCC and SCS pursuant to which the Company appointed SCC to act as nominated adviser and SCS to act as broker to the Company with effect from Admission. The agreement is for a minimum period of 12 months from the date of Admission and continues thereafter until terminated by either party giving not less than three months' notice. Under the agreement, the Company has agreed to pay SCC and SCS an annual fee of £25,000 for their services rising to £45,000 per annum immediately following completion by the Company of a transaction that constitutes a reverse takeover under the AIM Rules.

### 12.3 Placing Agreement

On 4 May 2012 the Company entered into the Placing Agreement with SCS, SCC and the Directors pursuant to which SCS and SCC have agreed, subject to certain conditions, as agent for the Company to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing Agreement is conditional, amongst other things, on Admission taking place on or before 22 May 2012 (or such later date as SCS, SCC and the Company may agree, but in any event not later than 6 June 2012).

The Placing Agreement contains certain warranties by the Company and the Directors in favour of SCS and SCC, including as to the accuracy of the information contained in this document, certain financial information and other matters relating to the Company and its business. The liability of the Directors under these warranties is limited in time and amount. In addition, the Company has agreed to indemnify SCS and SCC in respect of any losses, damages and liabilities incurred by SCS and SCC resulting from the carrying out by SCS and SCC of its obligations or services under the Placing Agreement or otherwise in connection with the Placing and Admission.

The Placing Agreement provides for the payment by the Company to SCC of a corporate finance fee of £90,000 and to SCS a commission of five per cent. on the value of the Placing Shares at the Placing Price placed by SCS and one per cent. on the value of the Placing Shares at the Placing Price placed by the Company together in each case with any applicable VAT. The Company has also agreed to issue to SCS warrants to subscribe for such number of Ordinary Shares as equals five per cent. of the number of Placing Shares placed by SCS and one per cent. of the number of Placing Shares placed by the Company and warrants to subscribe for such number of Ordinary Shares as equals one per cent. of the Enlarged Share Capital, exercisable for five years from Admission. The Placing Agreement also provides for the Company to pay all costs, charges and expenses of, or incidental to, the Placing and Admission including all accountancy, legal and other professional fees and expenses.

### 12.4 Lock-in and orderly market agreements

On 11 May 2012, the Company and SCC and SCS entered into lock-in deeds with the Directors and certain shareholders (each a "Locked-in Party") pursuant to which each Locked-in Party has undertaken to the Company and SCS and SCC that, subject to limited exceptions, he will not dispose of any interest in Ordinary Shares during the period of 12 months from Admission. The limited exceptions include the acceptance of a takeover offer for the Company, a disposal following the death of a Locked-in Party to his personal representatives and a disposal pursuant to a court order.

Each Locked-in Party has also undertaken that, during the period of 12 months from the first anniversary of the date of Admission, he will not dispose of any Ordinary Shares unless such disposal is made on an orderly market basis through the Company's broker from time to time.

### 12.5 *SCS Warrant Deed*

Pursuant to a warrant instrument dated 11 May 2012, the Company granted to SCS 4,340,000 warrants to subscribe for 4,340,000 Ordinary Shares at a subscription price of £0.05 per new Ordinary Share. SCS may exercise the warrant to subscribe for Ordinary Shares at any time during the exercise period which ends on 22 May 2017. The Company must notify SCC in the event of a takeover offer. The SCS Warrants are not transferable except within the Shore Capital group of companies.

### 12.6 *Existing Warrant Deed*

Pursuant to a warrant instrument dated 4 May 2012, the Company granted to Algy Cluff 5,000,000 warrants to subscribe for 5,000,000 Ordinary Shares at a subscription price of £0.05 per new Ordinary Share. Algy Cluff may exercise the warrant to subscribe for Ordinary Shares at any time during the exercise period which ends on 22 May 2017. The Company must obtain the consent of Algy Cluff before undertaking certain actions which will affect the Ordinary Shares and notify Algy Cluff in the event of a takeover offer. The Existing Warrants are not transferable except with the prior written consent of the Company.

### 12.7 *Placing Warrant Deed*

Pursuant to a warrant instrument dated 4 May 2012, the Company will grant to each Placee who subscribes for Ordinary Shares pursuant to the Placing, one warrant to subscribe for an Ordinary Share at a subscription price of £0.10 for every two Placing Shares subscribed. Each warrant holder may exercise the warrant to subscribe for Ordinary Shares at any time during the exercise period which ends on 22 May 2015. The Company must obtain the consent of 75 per cent. of the holders of the Placing Warrants present at a meeting of the warrant holders before undertaking certain actions which will affect the Ordinary Shares and it must notify each holder of the Placing Warrants in the event of a takeover offer. The Placing Warrants are not transferable except with the prior written consent of the Company.

### 12.8 *Subscription Letters*

On 15 May 2012, each of the non-executive Directors entered into a Subscription Letter pursuant to which he agreed, conditional upon Admission, to subscribe for Subscription Shares at the Placing Price for a total sum of £20,000.

### 12.9 *Consultancy Agreement with Peregrine Investments Limited*

The Company has agreed that it will pay Peregrine Investments Limited a fee of £28,000 in consideration for consultancy services provided to the Company in connection with the Placing and Admission.

## 13. **Taxation**

The following paragraphs are intended as a general guide only for Shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and HM Revenue & Customs practice. Any person who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK should consult his own professional adviser immediately.

### *Taxation on dividends*

Under current UK tax legislation, no amounts in respect of tax will be withheld at source from dividend payments made by the Company. A dividend paid to a non-corporate Shareholder is treated as being paid with a tax credit equal to one ninth of the net dividend. Thus, for such Shareholders, there will be a tax credit of 10 per cent. on the gross dividend, that gross dividend being equal to the sum of the net dividend and the accompanying tax credit. Individual Shareholders whose income is within the starting or basic rate bands will be liable to tax at 10 per cent. on their gross dividend income and, if eligible for the tax credit, the tax credit will therefore satisfy their income tax liability on UK dividends.

Individual Shareholders who are liable to income tax at the higher rate will be charged to tax at 32.5 per cent. on their gross dividend income. After taking account of the 10 per cent. tax credit, where available, this will represent additional tax of 25 per cent. of the net dividend received. Additional rate tax will apply to individual Shareholders with annual taxable income in excess of £150,000 and the trustees of certain UK trusts. The additional rate will be 42.5 per cent. on gross dividend income (and 37.5 per cent. from 6 April 2013). After taking account of the 10 per cent. tax credit, where available, this will represent additional tax of 36.1 per cent. of the net dividend received (and 30.6 per cent. from 6 April 2013). Since July 2009, there has not been a “blanket” exemption from tax on dividends received by UK resident companies (other than share traders). Instead, a distribution exemption regime, which exempts most types of dividends from tax (but not all) has operated. Under these new distribution exemption rules, subject to exceptions for certain insurance companies and companies that hold shares as trading stock, a UK resident corporate Shareholder that receives a dividend paid by the Company should not be taxed on the dividend.

Persons who are not resident in the UK should consult their own tax advisers on whether or not they can benefit from all or part of any tax credit and what relief or credit may be claimed in the jurisdiction in which they are resident.

### ***Taxation on chargeable gains***

For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company, acquired on the date of allotment. The amount paid for the Ordinary Shares will constitute the base cost of a Shareholder’s holding.

If a Shareholder who is a UK individual or a trustee of a UK trust disposes of all or some of his Ordinary Shares, a liability to capital gains tax may arise. The extent of the tax liability on any gains which may arise will depend on the availability of the annual capital gains tax exemption and any other tax relief such as existing capital losses.

A UK resident corporate Shareholder holding shares as an investment will be subject to corporation tax on any gain arising, subject to potential mitigation by indexation allowance and losses available for relief. An exemption from corporation tax on any such gain may be available if the corporate Shareholder holds at least 10 per cent. of the Company’s ordinary share capital and has done so for at least 12 months in the two years prior to disposal.

Shareholders who are not normally resident in the UK for tax purposes may not, depending on their personal circumstances, be liable to UK taxation on capital gains arising from the sale or other disposal of their shares (unless they carry on a trade, profession or vocation in the UK through a branch or agency with which their shares are connected). Individual Shareholders who are temporarily neither UK resident nor ordinarily resident may also be liable to UK capital gains tax on capital gains realised on their return to the UK. Shareholders who are resident for tax purposes outside the UK may be subject to foreign taxation on capital gains depending on their personal circumstances.

### ***Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)***

No stamp duty or SDRT will generally be payable on the issue of Ordinary Shares.

The transfer on sale of shares will generally be subject to *ad valorem* stamp duty or SDRT, normally at a rate of 0.5 per cent. (rounded to the nearest £5) of the amount or value of the consideration. Where the consideration is less than £1,000, no stamp duty is payable. Payment of any stamp duty cancels or “franks” any SDRT charge so there is no double taxation on the same transfer.

Any Shareholder who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the UK should consult his own professional adviser without delay.

## **14. Related Party Transactions**

The Company has not entered into a related party transaction during the period covered by the historical financial information set out in Part III of this document and up to the date of this document.

## 15. **Principal Investments**

15.1 Save as set out or referred to in this document:

- (a) no significant investments have been made by the Company since incorporation and up to the date of this document;
- (b) no significant investments by the Company are in progress; and
- (c) there are no future significant investments by the Company in respect of which a firm commitment has already been made.

## 16. **Working Capital**

The Directors are of the opinion having made due and careful enquiry that, taking into account the estimated net proceeds of the Placing, the working capital available to the Company will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

## 17. **Litigation**

The Company has not nor has during the 12 months preceding the date of this document been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Company.

## 18. **No Significant Change**

There has been no significant change in the financial or trading position of the Company since 3 April 2012, being the date to which the Company's latest audited financial statements have been prepared, save as disclosed in this document.

## 19. **Consents**

- 19.1 Shore Capital and Corporate Limited has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.
- 19.2 Shore Capital Stockbrokers Limited has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.
- 19.3 Crowe Clark Whitehill LLP has given and not withdrawn its written consent to the inclusion in this document of its reports set out in Part III of this document and the references to it and to its name in the form and context in which they appear.

## 20. **General**

- 20.1 The total costs and expenses payable by the Company in connection with or incidental to the Placing and Admission are estimated to be approximately £0.47 million (exclusive of VAT). The gross proceeds of the Placing are estimated to be approximately £3.75 million and the net proceeds of the Placing are estimated to be approximately £3.28 million.
- 20.2 Of the Placing Price, 0.5 pence represents the nominal value of each new Ordinary Share and 4.5 pence represents the premium.
- 20.3 Save as disclosed in this document, the Directors are not aware of any exceptional factors which have influenced the Company's activities.
- 20.4 Save as disclosed in this document, so far as the Directors are aware, there have not, in relation to the Company, been:
  - (a) any significant recent trends in production, sales, inventory, costs and selling prices between the end of the last financial year of the Company and the date of this document; or

- (b) any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on the Company's prospects for at least the current financial year.
- 20.5 Save as disclosed in this document, the Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 20.6 Save as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the application for Admission or has entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any of the following:
- (a) fees totalling £10,000 or more;
  - (b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
  - (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 20.7 The Directors confirm that, where information in this document has been sourced from a third party, this information has been accurately reproduced and that, so far as the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 20.8 Crowe Clark Whitehill LLP are the auditors of the Company, who are a member of the Chartered Institute of Accountants in England and Wales.
- 20.9 The accounting reference date of the Company is 31 December in each year. The current accounting reference period of the Company ends on 31 December 2012.
- 20.10 There are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are of fundamental importance to the Company's business or profitability.
- 20.11 Save for Algy Cluff, the sole executive Director, the Company has only one permanent employee, who works in an administrative role in the United Kingdom. The Company does not employ any temporary employees.
- 20.12 There have been no takeover bids by third parties in respect of the Company's equity which have occurred during the last financial year or the current financial year.

## 21. **Availability of this document**

Copies of this document will be available to the public free of charge at the registered office address of the Company during normal business hours on any day (except Saturdays, Sundays and public holidays) for a period of one month from the date of Admission. This document will also be available for download from the Company's website at [www.cluffnaturalresources.com](http://www.cluffnaturalresources.com).

16 May 2012



