

CLUFF NATURAL RESOURCES PLC (the "Company")

REMUNERATION COMMITTEE: TERMS OF REFERENCE

1. INTRODUCTION

1.1 At a meeting of the board of directors of the Company (the "**Board**") held on 20 April 2012, the Board resolved to establish a committee known as the Remuneration Committee (the "**Committee**") and approved the following terms of reference for the Committee.

1.2 In these terms of reference:

"Committee Chairman" means the chairman of the Committee;

"Committee Secretary" means the secretary of the Committee; and

"Director" means a director of the Company.

2. MEMBERSHIP OF THE COMMITTEE

2.1 The members of the Committee shall be appointed by the Board. The Committee shall comprise at least three independent non-executive Directors.

2.2 The Board shall appoint the Committee Chairman who must also be an independent non-executive Director. In the absence of the Committee Chairman (or any deputy appointed by the Board) from any meeting of the Committee, the members of the Committee participating in the meeting shall elect one of their number (being a member who would qualify under these terms of reference to be appointed as the Committee Chairman by the Board) to chair the meeting.

2.3 Only members of the Committee have the right to attend meetings of the Committee. However, other individuals (such as the chief executive of the Company, the head of human resources and external advisers) may be invited by the Committee to attend all or part of any meeting of the Committee as and when the Committee considers appropriate but no person shall participate in any discussions or the taking of any decision at a meeting of the Committee regarding his or her own remuneration.

2.4 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the Director continues to meet the criteria for membership of the Committee.

3. **COMMITTEE SECRETARY**

The secretary of the Company (or such other person as the Committee may appoint) shall act as the Committee Secretary.

4. **PROCEEDINGS OF THE COMMITTEE**

4.1 Meetings of the Committee must be held at least twice a year and at such additional times as may be required. Meetings of the Committee shall be called by the Committee Secretary at the request of the Committee Chairman or any other member of the Committee.

4.2 Unless otherwise agreed by all members of the Committee, notice of a meeting of the Committee shall be given to each member of the Committee, any other person required to attend and all other non-executive Directors no later than five working days before the date of the meeting. The notice shall state the venue, time and date of the meeting and details of any arrangements for participating in the meeting and shall include or be accompanied by an agenda of items to be discussed at the meeting. Supporting papers shall be sent to members of the Committee and to other attendees as appropriate at the same time as the notice of meeting.

4.3 The quorum necessary for the transaction of business at a meeting of the Committee shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4.4 Each member of the Committee must, at or prior to the commencement of each meeting of the Committee, disclose to the Committee any interest that he has in any matter or proposal to be considered at the meeting. A member of the Committee must not participate in any discussions concerning, and shall not be entitled to vote in relation to, any matter or proposal to be considered at a meeting of the Committee in which he has an interest unless that interest cannot reasonably be regarded as likely to give rise to a conflict of interest.

4.5 A decision shall be taken at a meeting of the Committee by a majority of the votes of the members of the Committee who are participating in the meeting and, subject to these terms of reference, each member of the Committee participating in the meeting has one vote.

4.6 If the number of votes for and against a proposal are equal, the Committee Chairman (or other person chairing the relevant meeting) shall have a casting vote. However, this does not apply if, under these terms of reference, the Committee Chairman (or other person chairing the relevant meeting) is not entitled to vote on the relevant proposal.

5. **MINUTES OF MEETINGS OF THE COMMITTEE**

5.1 The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee (including the names of those participating in the meeting and any interests disclosed pursuant to paragraph 4.4).

5.2 The Committee Secretary shall circulate draft minutes of each meeting of the Committee to all members of the Committee promptly following the meeting. When finalised and approved, the minutes shall be circulated to all members of the Board unless it would be inappropriate to do so.

6. **DUTIES OF THE COMMITTEE**

6.1 The Committee shall determine and agree with the Board the framework or broad policy for the remuneration of the chairman of the Board, the chief executive of the Company, each other executive Director, the secretary of the Company and such other members of the executive management of the Company as it is designated by the Board to consider. The remuneration of non-executive Directors shall be a matter for the chairman of the Board and the executive members of the Board within the limits set out in the Company's articles of association. No person shall be involved in deciding his or her own remuneration.

6.2 In determining such remuneration policy, the Committee shall take into account all factors which it deems necessary. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

6.3 The Committee shall review the ongoing appropriateness and relevance of the remuneration policy.

6.4 The Committee shall approve the design of, determine targets for and monitor any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes.

6.5 The Committee shall review the design of all share incentive plans for approval by the Board and shareholders and administer all aspects of such plans. For any such plans, the Committee shall determine each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to executive Directors, the secretary of the Company and other designated senior executives, the timing of such award and the performance targets to be used.

- 6.6 The Committee shall determine the policy for, and scope of, pension arrangements for each executive Director and other designated senior executives.
- 6.7 The Committee shall consider and determine the terms and duration of service agreements to be entered into with executive Directors and other designated senior executives and consider what (if any) compensation commitments thereunder should arise in the event of early termination.
- 6.8 In the cases where no express compensation commitment is provided for in the event of early termination, the Committee shall ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- 6.9 Within the terms of the agreed policy and in consultation with the chairman of the Board and/or the chief executive of the Company as appropriate, the Committee shall determine the total individual remuneration package of the chairman of the Board, each executive Director, the secretary of the Company and other designated senior executives including bonuses, incentive payments and share options or other share awards.
- 6.10 The Committee shall:
- (a) review and note annually the remuneration trends across the Company;
 - (b) oversee any major changes in employee benefits structures throughout the Company;
 - (c) agree the policy for authorising claims for expenses from the Directors; and
 - (d) ensure that all relevant requirements regarding the disclosure of remuneration (including pensions) are fulfilled.
- 6.11 The Committee shall:
- (a) obtain reliable, up-to-date information about remuneration in other companies; and
 - (b) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- 6.12 The Committee shall carry out such other duties as may be assigned to it, and shall consider such other matters as may be referred to it, by the Board from time to time.

- 6.13 In carrying out its duties under these terms of reference, the Committee shall give due regard to all applicable laws, regulations and guidance including the QCA Corporate Governance Guidelines for Smaller Quoted Companies and the London Stock Exchange's rules for AIM companies.

7. AUTHORITY OF THE COMMITTEE

7.1 The Committee is authorised by the Board:

- (a) to investigate the remuneration paid by other companies of a similar size in a comparable industry sector in the UK and to undertake such other investigations and research as it considers desirable for the purpose of assessing the Company's remuneration policies and practices in relation to those of comparable companies or otherwise for the purpose of carrying out its duties under these terms of reference;
- (b) to obtain, at the Company's expense, outside legal or other professional advice on any matter within these terms of reference;
- (c) at the Company's expense but within any budgetary constraints imposed by the Board, to appoint remuneration consultants and to commission or purchase any relevant reports, surveys or information which it deems necessary to help it to fulfil its duties; and
- (d) to secure the participation of any person with relevant experience and expertise in meetings of the Committee if the Committee considers this appropriate.

7.2 In addition, the Committee is authorised by the Board to seek any information it requires from any officer or employee of the Company in order to perform its duties and may call any such officer or employee to be questioned at a meeting of the Committee. All Company officers and employees will be directed to co-operate with any request for information made by the Committee.

8. REPORTING RESPONSIBILITIES

8.1 The Committee Chairman shall report formally to the Board on the proceedings of the Committee after each meeting on all matters within its duties and responsibilities.

8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

8.3 The Committee shall produce an annual report of the Company's remuneration policy and practices which will form part of the Company's annual report and ensure each

year that it is put to shareholders for approval at the annual general meeting of the Company.

- 8.4 The Committee Chairman shall attend each annual general meeting of the Company prepared to respond to any questions from shareholders concerning the Committee's activities.

9. **OTHER MATTERS**

- 9.1 The Committee shall be:

- (a) given access to sufficient resources in order to carry out its duties (including access to the secretary of the Company for assistance as required); and
- (b) provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

- 9.2 The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes that it considers necessary to the Board for approval.