



Cambridge
Mineral Resources plc

Cambridge Mineral Resources plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered No. 2255996)

Proposed Rights Issue of 20,393,285 New Ordinary Shares of 5p each at 5p per share

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000, if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your shares, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares as soon as possible.

12 October 2010

Dear Shareholder

I know that you have not heard from your company since July and I apologise for not keeping you informed about the Company's affairs. The past two years have been difficult years for Cambridge Mineral Resources plc ("the Company"). Indeed at the beginning of this year the very existence of your Company was in doubt, but your directors believe that we have past the worse and are now able to inform you of the changes we have made which we believe augur well for our future, the strategy we propose to adopt and the way we propose to go about fulfilling that strategy.

The Board

There have been a number of additions to the board of directors and we believe your Company has been strengthened by these changes. The present board of directors comprises:-

Michael Burton

Mr. Burton joined the Company in 1995 and has over 30 years of international experience in accountancy, systems and finance with corporations including Abbey National, Xerox, Aventis, GlaxoSmithKline, Norwich Union and Barclays Bank. During the 1980s, Mr. Burton worked in the USA specializing in UK and US GAAP compliance. In the resources sector he has worked for Arco, Shell, Hereaus and latterly British Petroleum, where as financial controller he was responsible for a budget of over \$500 million.

Venny Mateeva

Ms. Mateeva is a Mechanical Engineer with over 15 years of diverse mining industry experience. In the 1990's she worked at the Chelopech copper-gold mine in Bulgaria, with roles including Technical Assistant, Secretary to the Board, and Sales Manager handling sales and shipment of copper-gold and gold concentrates including marketing, contract negotiation, freights and insurances. She joined the Company in 2000 to head up the activities in Eastern European companies.

Martin Robins

Mr. Robins was appointed to the board as a non executive director in February 2010. He is now executive Chairman of the board. Mr Robins qualified as a chartered accountant in 1970 has had a long and successful career in finance with mining equipment and aerospace manufacturer Dowty Group. Most recently he was managing director of Cotswold quarrier Farmington Natural Stone, from which he retired in 2005 after many years of profitable growth.

Mark Slater

Mr. Slater was appointed to the board in September 2010 as operations director. He has been Operations Manager of the Company since January 2009 and has wide experience in business management and development across various commercial sectors. He has previously been a director of the Company and is currently also Company Secretary.

Robert Kyriakides

Mr. Kyriakides is a commercial solicitor established in London and the founder and Chief Executive of Genersys plc, the UK's largest solar thermal business with associated businesses in Germany, Slovakia, Australia, the United States of America, Mexico, Chile, South Korea and South Africa. His law firm, Kyriakides & Braier which he founded in 1978, have been advising the Company since April 2010.

The strategy that the board has adopted

The board is acutely aware that since the Company was de-listed in 2009, the shareholders have lost a regulated market in which to deal with their shares although a matched bargain facility is available. In addition the Company has lost a valuable asset in Colombia and at the beginning of the year held valuable (mainly gold) mining rights in Spain, Peru and Bulgaria, the latter of which is a joint venture.

The increased and increasing price of gold has in the view of the board meant that the Company's mining assets have become attractive but the obligations, particularly the financial obligations involved in maintaining these assets have been very difficult to meet.

Twelve months ago gold was priced at around \$1,113 an ounce and at the date of this letter gold is now about \$1,346 an ounce (source LBMA). This has had a material influence upon the directors thinking.

The board has evolved a strategy of twin objectives: to enhance shareholder value and to provide, by the sale of assets, shareholder value which will be returned to the shareholders in the most effective way. In order to fulfill this objective the Company may seek a re-admission to AIM in the future if conditions warrant it.

After careful consideration the Company has sold all its shares in its Spanish subsidiary Recursos Metallicos SL, which holds Lomero Payatos, its wholly owned (but not functioning) mine in Spain to Harrogate Group plc ("Harrogate") in return for approximately 80% of the share capital of Harrogate received by way of renounceable letter of allotment and convertible loan stock.

Overall, under the sale and purchase agreement the Company has 240,000,000 shares in Harrogate with a nominal value of 1 penny each in the form of renounceable letter of allotment. An additional 40,000,000 shares form part of the consideration that the Company will receive but are held back pending the expiration of the warranty period under the sale purchase agreement.

The agreement was completed on 24 September 2010 and should enable the Spanish mine to be properly financed and developed adding value to the holding that your Company has in Harrogate.

The transaction proved more complicated than originally envisaged and took longer to complete as a result of unexpected complications.

Under the terms of the agreement with Harrogate, the Company cannot exercise more than 49% of the voting control over Harrogate. Harrogate has undertaken to list on a recognised exchange as soon as practicable but in any event by no later than March 2012, thus providing your Company with a ready market for its shares in Harrogate.

The board is also looking at opportunities to sell its remaining mining interests in Bulgaria and Peru as part of its strategy to return value to shareholders.

Technical Matters

The board have authority to allot shares in the Company up to an aggregate amount of £1,345,957 pursuant to the ordinary resolution passed at the General Meeting on 28 July 2010. If the rights issues is fully subscribed the Company will raise funds of £1,019,664.

Finance

In order to keep the business of the Company running and to meet its obligations to third parties and in order to get best value from its assets for the shareholders your Company does need funding. Lack of money has impacted the Company by being unable to pay for the statutory accounts, leading to failure to file accounts in breach of the Company's legal obligations. It has also meant that the Company has had to resort to very expensive, but very short term funding, when the Company's prospects were at their lowest and prior to the sale of the Spanish mine.

The Company has a number of county court judgments registered against it and has no ready money to pay its liabilities which, to the best of our belief at the date of this letter amount to £875,000. The directors believe that the overall net assets of the Company are at least no worse than the value attributed to them in the 2007 accounts which was about £10,000,000.

The Company's accounts for 2008 and 2009 are in the course of being audited and it is expected that accounts will be signed off and filed by the end of October. The directors expect these will show losses commensurate with or similar to losses that had accrued in the accounts for the year ending 2007. Operating losses are estimated at £1.25 million and it is estimated that there will be an extraordinary loss of about £2 million on the disposal of the Colombian assets. The directors however believe that shareholders funds have been increased in value by at least £2 million following the disposal of the Spanish assets.

The sale of the Spanish mine and the very significant increase in the price of gold and precious metals since April 2010 has enabled the directors to be able to reconsider the best means of funding. The directors have concluded that a small and limited rights issue is the best route to secure funding, best in the interests of the Company and its shareholders.

Prospectus

The Company will not be publishing a prospectus. The proposed rights issue will be limited to raising around £1 million, which enables the Company to make the rights issue without publishing a prospectus, under Schedule 11A of the Financial Services and Markets Act 2000.

Rights Issue – Purpose

The purpose of the rights issue is to enable the Company to be solvent on all tests, pay its existing creditors and have reserves for the directors to maintain all the assets and sell them at the best price and in the best circumstances.

The Company will apply the proceeds of a rights issue in the following order of priority:-

1. (a) Repay all existing United Kingdom debts and obligations. These are currently estimated at £875,000. Directors' outstanding salaries are included in the £875,000 but shall not be

repaid initially as all the directors have agreed to wait for the time being and (b) lend to Harrogate, under the Company's remaining agreed obligation to finance the Spanish mine, the sum of £120,000; this loan is repayable on 31st December 2010 by Harrogate provided certain conditions are met, otherwise upon listing.

2. Pay its obligations incurred under the Bulgarian operation, amounting to £25,000.
3. Pay its obligations incurred under its Peruvian Operation amounting to US \$125,000
4. Pay the outstanding directors' salaries.
5. Hold the balance in reserve to enable the Company to pay its running costs until the strategy is fulfilled.

The Rights Issue is not being underwritten.

Terms of the Rights Issue

The detailed terms of the rights issue are contained in the accompanying Provisional Subscription Letter and you should please refer to this. If you wish to exercise your right to subscribe under the rights issue full instructions are contained therein.

In essence the Company (which has recently consolidated its shares so that shares now have a nominal value of 5p each), is offering a right for a shareholder to subscribe for one additional share for every four the shareholder holds.

Rights Issue Statistics

Existing shares in issue	81,573,140 of 5p each
Nominal Capital of existing shares in issue	£4,078,657
Nominal Price for each New Ordinary Share	5 pence
Basis of Rights Issue	1 New Ordinary Share for every 4 existing Ordinary Shares
Number of New Ordinary Shares to be provisionally allotted pursuant to the Rights Issue	20,393,285
Enlarged Share Capital	£5,098,321
New Ordinary Shares to be issued in connection with the Rights Issue as a percentage of the Enlarged Share Capital	20%
Estimated net proceeds of the Rights Issue	£1,019,664

Risk Factors

1. Gold Price and other mineral prices
The gold price has been moving upwards and there is a risk that the price of gold might decline to levels which make the mining of the Company's assets unprofitable.
2. Political factors
The ability to mine gold depends on political stability on the countries in which the mines are situated.
3. Maintenance of mining rights
The nature of mining rights is that they must be exploited or they will be forfeited. Exploitation depends upon attracting sufficient investment.

4. Economic Recovery
The price of gold is often (but not always) high in difficult economic circumstances such as exist at the moment. The future economic circumstances may improve to such an extent as gold becomes lower in price.
5. Harrogate's ability to raise the finance necessary to develop the Spanish mine.
This risk factor is linked to 3 above.
6. Environmental factors
It is possible that a detailed environmental report may prevent mining to be carried out or place onerous terms which makes mining unprofitable.

Expected Timetable of Events

Each of the times and dates in the table below is indicative only and may be subject to change.

1. Date of rights offer being circulated	12 October 2010
2. Closing date for Company's solicitors to receive cheques	27 October 2010
3. Issue new share certificates	by 8 November 2010

Information not contained in this document

No person has been authorised to give any information or make any representation other than those contained in or incorporated by reference into this document and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, neither the delivery of this document nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in or incorporated by reference into this document is correct as of any time after the date hereof.

Recipients of this document acknowledge that: (i) they have not relied on any institution or any person affiliated with them in connection with any investigation of the accuracy of any information contained in or incorporated by reference into this document or their investment decision; and (ii) they have relied only on the information contained in or accompanying or incorporated by reference into this document, and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries, or the New Ordinary Shares (other than as contained in or accompanying or incorporated by reference into this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company; and (iii) the recipient is not resident outside the European Union and the European Free Trade Area .

No incorporation of website information

The contents of the Company's website or any website directly or indirectly linked to the Company's website do not form part of this document and investors should not rely on it.

Forward-looking statements

This document contains or incorporates by reference forward-looking statements. The words "believe", "anticipate", "expect", "intend", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements.

These forward-looking statements include all matters that are not historical facts. In particular, the statements regarding the Company's strategy and other future events or prospects are forward-looking statements. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are beyond the Company's control. By their nature, forward-looking statements involve risks and uncertainties

because they relate to events and depend on circumstances that may or may not occur in the future.

Recipients of this document are cautioned that forward-looking statements are not guarantees of future performance and that the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those made in or suggested by the forward-looking statements contained in this document. The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue.

Factors that may cause the Company's actual results to differ materially from those expressed or implied by the forward-looking statements in this document include but are not limited to the risks described under "Risk Factors".

These forward-looking statements reflect the Company's judgement at the date of this document and are not intended to give any assurances as to future results. The Company undertakes no obligation to update these forward-looking statements, and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. The Company will comply with its obligations to publish updated information as required by law or by any regulatory authority but assumes no further obligation to publish additional information

Status of this letter

This document does not comprise a prospectus prepared in accordance with the Prospectus Rules. This document has not been approved by the FSA and a copy of this document has not been filed with the FSA.

If you have sold or otherwise transferred all your existing Ordinary Shares held in certificated form before 12 October 2010 please forward this document together with the Provisional Subscription Letter enclosed to the purchaser or transferee, or the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

This document and/or the Provisional Subscription Letter should not however be forwarded or transmitted in, into or from any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the United States and/or other countries not within the European Community or the European Free Trade Area.

Non Availability of this offer outside the European Community

This offer is not available to shareholders outside the European Community and the European Free Trade Area.

Yours sincerely

Martin Robins
Chairman
Cambridge Mineral Resources plc



PROVISIONAL SUBSCRIPTION LETTER

Pursuant to a resolution passed at the general meeting of the Cambridge Mineral Resources Plc (“the Company”) held on 28 July 2010 the directors are authorised to allot shares up to an aggregate amount of £1,345,957. You are entitled to subscribe for one new share for every existing four shares you hold in the capital of the Company as at 12 October 2010. The new ordinary shares will rank *pari passu* in all respects with existing ordinary shares of the Company subject to the Memorandum and Articles of Association of the Company

This subscription is conditional upon the receipt by the Company’s solicitors Kyriakides & Braier of cleared funds in respect of the aggregate consideration for the new shares (at 5 pence per share) you wish to subscribe for.

Please note that these shares can only be issued in your name but may be transferred after issue.

If you do not wish to subscribe for new shares you need take no further action.

This letter shall cease to be valid for all purposes after the issue of a share certificate in respect of the ordinary shares comprised herein or on expiry of the subscription period being 27 October 2010.

Instructions:-

To take up this rights issue please

- (a) Fill in your name and address
- (b) Fill in the number of share you hold in box 1
- (c) Enter the number of new shares you wish to subscribe for in box 2
- (d) Multiply the figure in box 2 by £0.05, which will give you the cost of your shares and enter that figure in box 3
- (e) Please send the tear off slip with a cheque for the amount in box 3 to Kyriakides & Braier Solicitors, 37 Queen Anne Street, London W1G 9JB. The cheque should be made payable to “Kyriakides & Braier Clients Account”.

(If you are uncertain as to the precise number of your shares you hold please call Neville Registrars Limited of Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA on 0121 585 1131.

I wish to subscribe for Ordinary shares in the Company as follows:-

Name

Address

Box 1	<input type="text"/>	Existing shares
Box 2	<input type="text"/>	No. of shares you wish to subscribe for
Box 3	<input type="text" value="£"/>	Amount of cheque

