

Cambridge Mineral Resources Plc

Registered number 02255996

# CAMBRIDGE MINERAL RESOURCES PLC

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ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2011

# Cambridge Mineral Resources Plc

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# Cambridge Mineral Resources Plc

## COMPANY INFORMATION

<b>Directors</b>	Geoffrey Hall Michael Burton Mark Slater Timothy Greatrex Nevyanka Mateeva
<b>Company Secretary</b>	Michael Burton
<b>Registered office</b>	9 Greenleaf House 128 Darkes Lane Potters Bar Hertfordshire EN6 1AE
<b>Company registered number</b>	02255996
<b>Bankers</b>	Coutts & Co. 440 Strand London WC2R 0QS
<b>Registrars</b>	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
<b>Auditors</b>	Littlejohn LLP 1 Westferry Circus Canary Wharf London E14 4HD

# Cambridge Mineral Resources Plc

## CHAIRMAN'S REPORT

This is my first report as Chairman of Cambridge Mineral Resources Plc ("CMR" or "the Company"), having joined the Company on 18 May 2012 as non-executive director and Chairman. I have been a significant shareholder of CMR for some time and have followed with interest the continuing developments as CMR seeks to progress. I decided to join the Company in order to help it achieve that progress. In addition to my role of steering the CMR ship, my focus will be on corporate governance and delivering shareholders returns as and when possible.

The activities in 2011 have been covered in detail within the Chairman's report in the 2010 Annual Report and Accounts published in April 2012. However, since this report contains our 2011 financial statements I will summarise those activities and also bring you up to date with important recent developments in 2012.

## OPERATIONS

### Spain

During 2011 CMR awaited the progress of Iberian Gold Plc ("Iberian") towards its planned flotation on the London Stock Exchange, CMR having sold its Spanish subsidiary Recursos Metalicos SL ("Recursos"), which holds the underground mining permits at Lomero-Poyatos, to Iberian in 2010 in return for an entitlement to Iberian shares upon their flotation.

In March 2012 Iberian notified CMR that the mining permits for Lomero-Poyatos had been cancelled by the Spanish authorities. Iberian arranged for Recursos to submit an appeal against that decision but during June 2012 the authorities rejected that appeal.

Prior to that development, in anticipation of a favourable result to the appeal, CMR had agreed terms with Iberian for its re-acquisition of Recursos and exchanged contracts in early June 2012. However, as a result of the rejection of the appeal CMR was unable to complete on that transaction.

Throughout 2012 Iberian had been unable to fund the working capital requirements in Spain and therefore CMR provided the essential funds required to preserve the Spanish assets.

In April 2012 the board of CMR replaced the board of Iberian and as a result of that change of control Iberian became a subsidiary of CMR.

Following legal advice, CMR initiated legal action against the Spanish authorities over the mining permits, the outcome of which is awaited.

In August 2012 Recursos received notification by the Spanish authorities that its environmental plan for Lomero-Poyatos had been approved. This leaves the issuance of the mining plan outstanding and subject to the outcome of the permit matter mentioned above.

As a result of the foregoing issues and uncertainties regarding Lomero-Poyatos, the board has decided to impair the carrying value of its interest in Iberian Gold by 50% until the dispute over the permits is resolved. This figure is primarily based upon the legal advice received as to the merits of our case for the permits.

### Peru

CMR also waited throughout 2011 for the completion of its 2010 sale of our Peruvian interests to the Australian company Gold Mines of Peru Pty Limited ("GMP"). The sale was for a combination of cash and shares, and it was dependent upon GMP achieving a stock market listing in Australia, but which GMP was ultimately unable to do. In 2011 GMP agreed to sell its interests to Laconia Resources Limited ("Laconia"), an Australian mineral exploration company listed on the ASX, with whom we subsequently agreed revised and reduced consideration for CMR's Peruvian assets. In June 2012 Laconia completed the acquisition and CMR received shares in Laconia and an agreement for Laconia to pay the cash component of the deal by November 2012.

# Cambridge Mineral Resources Plc

## CHAIRMAN'S REPORT (continued)

However, the overall value of the transaction has reduced as a result of the current value of Laconia's shares, as stated in the Post balance sheet event note to the attached accounts. Laconia is undertaking an aggressive exploration program in Peru but it remains to be seen what effect that will have on their share price.

### Bulgaria

Our joint venture in Bulgaria with Electrum Limited of Denver, USA progressed satisfactorily, the exploration program continued and Electrum completed its earn-in commitment to spend US\$ 2.2M in order to earn-in to an 80% interest in the joint venture. At that point CMR converted its 20% share of the JV to a 10% net profit share and we await with interest developments on Electrum's exploration results.

## CORPORATE

The Company expects to hold an AGM within the next 3 months.

Depending on the outcome of the Spanish situation, CMR may need to seek to acquire new projects in order to be able to progress and continue with its plan to deliver returns to shareholders.

The cost of running CMR and acquiring and developing new projects would need to be funded but there is no certainty in the current economic climate as to when or whether that can be achieved.

## FINANCIAL

The accounts for the year-ending 31st December 2011 are enclosed. These show a Group loss of £4,138,000 (2010: £421,000) and a Company loss of £3,646,000 (2010: £781,000). The main reasons for the increased losses is the impairments regarding our interests in Iberian Gold Plc as stated above and expenditure on professional fees incurred on the sale of Recursos to Iberian.

Finally, I would like to thank all of CMR's staff and shareholders for their continuing loyal support during these difficult times, and I offer assurances that your board is highly focused on improving the potential value of your company.

### Geoffrey Hall

Chairman

Cambridge Mineral Resources Plc

26 September 2012

# Cambridge Mineral Resources Plc

## DIRECTORS' REPORT

The directors present their report together with financial statements for the year ended 31 December 2011.

### Principal activities

The Group and the Company are principally engaged in directing investment into the discovery, exploration, development and exploitation of precious and base metals in Europe and South America.

### Business review

The Group is focused on the disposal of its investments in Spain and Peru, its joint venture in Bulgaria and investigating new mineral opportunities worldwide. A detailed review of the business of the Group during the year and an indication of likely future developments may be found in the Chairman's Statement.

### Financial review

The Group recorded a loss for the year of £4,138,000 (2010: loss of £421,000) and the Company recorded a loss for the year of £3,646,000 (2010: loss of £781,000).

The directors do not recommend the payment of a dividend.

### Capital Structure

As at the date of this report 102,316,289 Ordinary shares of 5p were in issue and are fully paid up. Of these, the rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Company's directors are as set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK or from the Company Secretary.

There are no restrictions on the voting rights attaching to the Company's Ordinary shares or on the transfer of securities in the Company.

At the General Meeting on 5 December 2011 the directors were given authority to issue 50,000,000 new shares (which represented an increase of approximately 50% of the number of shares in issue) and to disapply pre-emption rights in respect of allotments of relevant securities up to an aggregate nominal amount of £2,500,000 as set out in the Notice of that meeting which is available on the Company's website and upon request from the Company Secretary.

The Company had, as at the date of the report, the authority to issue shares to a total nominal value of £2,500,000. The Board is seeking to renew these authorities at the Annual General Meeting.

### Key performance indicators

The Board monitors the activities and performance of the group on a regular basis. The Board uses Financial indicators based on budget versus actual to assess the performance of the group.

The five main KPI's for the Group are as follows. These allow the Company to monitor costs and plan future exploration and development activities:

	2011	2010
Cash and cash equivalents	£5,000	£125,064
Administrative expenses (excluding impairments)	£922,460	£569,996
Total assets	£4,058,426	£7,987,739
Administrative expenses as a percentage of total assets	22.78%	7.14%
Exploration costs capitalised	£-	£190,444

# Cambridge Mineral Resources Plc

## DIRECTORS' REPORT (continued)

### Directors

The directors who served during the year were as follows:

M Burton  
V Mateeva  
M J Robins  
M Slater (appointed 10 December 2010)  
R A F Kyriakides (appointed 10 December 2010)

P Newman was appointed as a director and non-executive chairman on 14 January 2011 and resigned on 5 December 2011.

R A F Kyriakides resigned on 8 November 2011.

M J Robins resigned on 5 December 2011.

M Slater resigned on 5 December 2011.

### Related Party Transactions

The related party transactions that took place during the year are detailed in Note 32 of the financial statements on page 61.

### Risk and Uncertainties

#### Exploration risks

The exploration and mining industry is controlled by a number of global factors, principally supply and demand which in turn is a key driver in global metal prices; these factors are beyond the control of the Company. Exploration is a high-risk business and there can be no guarantee that any mineralisation discovered will result in proven and probable reserves or go on to be an operating mine. At every stage of the exploration process the projects are rigorously reviewed by qualified third party consultants to determine if the results justify the next stage of exploration expenditure ensuring that funds are only applied to high priority targets. The principal assets of the Group comprising the mineral exploration licenses are subject to certain financial and legal commitments. If these commitments are not fulfilled the licenses could be revoked. They are also subject to legislation defined by governments in the project countries; if this legislation is changed it could adversely affect the value of the Group's assets.

#### Resource estimates

The Group's interests in reported resources are estimates based on geological standards. No assurance can be given that the estimated resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on sampling and drilling and as a result are uncertain because the samples may not be fully representative of the full resource. Mineral resource estimates may require revision (either up or down) in future periods based on further drilling or actual production experience. Any future resource figures will be estimates and there can be no assurance that the minerals are present, will be recovered or that they can be brought into profitable production. Furthermore, a decline in the market price for natural resources could render reserves containing relatively lower grades of these resources uneconomic to recover.

#### Country risk

The Group's interests in licenses and operations are located in foreign jurisdictions. As a result, the Group is subject to political, economic and other uncertainties, including but not limited to, changes in policies or the personnel administering them, appropriation of property without fair compensation,

# Cambridge Mineral Resources Plc

## DIRECTORS' REPORT (continued)

cancellation or modification of contract rights, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the area in which these operations are conducted.

### Volatility of commodity prices

Historically, commodity prices have fluctuated and are affected by numerous factors beyond the Group's control. The aggregate effect of these factors is impossible to predict. Fluctuations in commodity prices in the long-term may adversely affect the returns of the Group's interests in mineral projects.

### Financing

The successful exploration of natural resources on any project requires significant capital investment. The Group currently sources finance either through the issue of additional equity capital or through funding agreements with various joint venture partners. The Group's ability to raise further funds will depend on the success of its investment strategy and acquired operations. The Group may not be successful in procuring the requisite funds on terms which are acceptable and, if such funding is unavailable, the Group may be required to reduce the scope of its investments or anticipated expansion.

### Dependence on key personnel

The Group is dependent upon its executive management team. Whilst it has entered into contractual agreements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Group depends on the Company's ability to recruit and retain high quality and experienced staff. The loss of the service of key personnel or the inability to attract additional qualified personnel as the Company grows could have an adverse effect on future business and financial conditions. To date the Company has been successful in recruiting and retaining high quality staff.

### Uninsured risk

The Group, as a participant in exploration and development programmes, may become subject to liability for hazards that cannot be insured against or third party claims that exceed the insurance cover. The Group may also be disrupted by a variety of risks and hazards that are beyond its control, including geological, geotechnical and seismic factors, environmental hazards, industrial accidents, occupation and health hazards and weather conditions or other acts of God.

### Financial risks

The Group's operations expose it to a variety of financial risks, particularly relating to foreign currency exchange rates as a result of the Group's foreign operations. The Group has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Group of these risks. Details of the Group's financial risk management objectives and policies are set out in note 3 to the Financial Statements.

### Financial instruments

The use of financial instruments by the Company and its subsidiary undertakings are disclosed in note 2 to the financial statements, together with an indication of both the risks that the Company and its subsidiaries are exposed to, and the risk management objectives that are in place.

# Cambridge Mineral Resources Plc

## DIRECTORS' REPORT (continued)

### Post balance sheet events

Post balance sheet events are disclosed in Note 33 to the financial statements.

### Going concern

These consolidated financial statements are prepared on a going concern basis which the directors believe to be appropriate for the reasons given below and also in Note 1 to the financial statements.

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches to finance its activities for limited periods only. Further funding will be required. The directors have prepared cash flow information for 12 months. On the basis of the cash flow information the directors are of the opinion that the Company will require additional financial resources to enable the Group to undertake an optimal programme of exploration and mine development activity over the next twelve months and to meet its commitments.

In 2011 the Company received approximately £357,000 as part of the cash element of the proceeds of sale of its Peruvian interests and is awaiting completion of the sale when it will receive the balance of the consideration in cash and tradable shares currently worth approximately £400,000. Management expects that there will be sufficient funding to meet the needs of the Company

### Payment policy and practice

It is the Company's policy to pay suppliers on the terms agreed with them. There were no trade creditors at the year-end. Creditors' days as at 31 December 2011 amounted to 118 days (2010: 129 days).

### Environmental and Ethical Policy

The Company is committed to ensuring regulatory compliance and generally accepted standards of best industry practice with regard to the impact of its activities on individuals, communities and the environment. For details of the Company's policies please refer to the Investor Relations section of our website.

### Financial risk management objectives and policies

Policies relating to financial risk management are set out in Note 2.

### Crest

The Company's Ordinary Shares are available for trading in Crest, the settlement system for uncertificated stocks and shares.

### Statement as to disclosure of information to the auditor

As far as the directors are aware, there is no relevant audit information of which the auditor is unaware, and each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

Littlejohn LLP has indicated its willingness to continue in office.

On behalf of the board

**Michael Burton**

Secretary

26 September 2012

## Cambridge Mineral Resources Plc

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and parent financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- α. select suitable accounting policies and then apply them consistently;
- β. make judgements and estimates that are reasonable and prudent;
- γ. state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- δ. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Cambridge Mineral Resources Plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Cambridge Mineral Resources Plc

## Independent Auditor's Report to the Members

Year ended 31 December 2011

We were engaged to audit the Financial Statements of Cambridge Mineral Resources Plc for the year ended 31 December 2011 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. Because of the matters described in the Basis for disclaimer of opinion on the Financial Statements paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Chairman's Report and Directors' Report to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

### Basis for disclaimer of opinion on the Financial Statements

In seeking to form an opinion on the Financial Statements, we considered the implications of the matters that follow. We have been unable to obtain sufficient appropriate audit evidence in respect of the Group's subsidiaries and specifically we would mention the following:

During the previous year ended 31 December 2010, the Parent Company disposed of its Spanish subsidiary, Recursos Metalicos SL, to Iberian Gold Plc ("Iberian") for a consideration of up to 280,000,000 ordinary shares of £0.01 each in Iberian, held in the form of Renounceable Letters of

# Cambridge Mineral Resources Plc

## Independent Auditor's Report to the Members (continued)

### Basis for disclaimer of opinion on the Financial Statements (continued)

Allotment. As detailed in Note 15 and 16, the Directors have accounted for 147,993,746 of that total consideration (which represents 49% of the issued share capital of Iberian at 31 December 2011) as an associate and the balance as available-for-sale financial assets (see Note 16). The fair value calculation of the amount held as an associate is based on the net assets of Iberian at 31 December 2011, less a provision for impairment.

The Financial Statements of Iberian for the year ended 31 December 2011, however, contain a qualified auditor's report and we have been unable to quantify the effect of the qualification on the carrying value of the associate in the Group and Parent Company Balance Sheets. The remaining Renounceable Letters of Allotment carried as available-for-sale financial assets are included at the Directors' assessment of their fair value based on realisation during the year and other factors. If any of the key assumptions included in the Directors' assessment of the carrying value prove to be incorrect, it may result in a material amendment to the carrying value of the asset concerned in the Group and Company Balance Sheet with a consequent effect on the profit or loss for the year. It is not possible to quantify the potential effect.

The former Peruvian subsidiaries of the Company, Minera Peru SAC and Minera Sucre SAC, which were classified as held for sale as at 31 December 2010, were sold to Gold Mines of Peru Limited ('GMP') during the year. The consideration for the transaction was a combination of cash and equity in GMP once GMP had listed on a recognised stock exchange. The equity was accepted on the understanding that GMP would obtain a listing on a recognised stock exchange. By late 2011, the Directors became aware that GMP could not fulfil all of its obligations and, in particular, could not obtain a listing. Subsequent to the year-end, and as more fully explained in note 33, the Company agreed terms with a new buyer. The Balance Sheet as at 31 December 2011 includes the net sum of £301,000 owed by GMP. Due to the nature of the share consideration, we are unable to form an opinion as to whether any further profit or loss should be recorded in respect of the sale and we are unable to form an opinion as to whether the year-end carrying value could be recovered.

The Bulgarian subsidiary, Hereward Ventures Bulgaria EAD, which has not been audited, shows exploration costs of £1,155,000 as an intangible asset, net liabilities of £470,000 and it accounted for £7,510 of the net loss of the Group for the year ended 31 December 2011. We are unable to quantify the affect on the Consolidated Financial Statements of the subsidiary not being audited.

### Disclaimer of opinion on Financial Statements

Because of the significance of the matters described in the Basis for disclaimer of opinion on Financial Statements paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on the Financial Statements.

**Independent Auditor's Report to the Members (continued)**

**Emphasis of Matter - Going concern**

Notwithstanding that we do not express an opinion on the Financial Statements, we have considered the adequacy of the disclosures made in the statement on going concern at Note 2.3 of the Financial Statements. The future funding of the Group is dependent on additional funding required to cover both working capital and operational needs of the various exploration activities of the Group. The matters detailed in the disclosures indicate the existence of a material uncertainty which may cast significant doubt on the Parent Company's ability to continue as a going concern. The Financial Statements do not include the adjustments that would result if the Parent Company was unable to continue as a going concern

**Opinion on other matter prescribed by the Companies Act 2006**

Notwithstanding our Disclaimer of opinion on the Financial Statements, in our opinion the information given in the Directors' Report for the year ended 31 December 2011 is consistent with the Financial Statements.

**Matters on which we are required to report by exception**

In respect of the following matters where the Companies Act 2006 requires us to report, and arising from the limitation of our work referred to above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit in the following respects;

- we were unable to determine whether adequate accounting records have been kept;
- we were unable to determine if the Financial Statements are in agreement with the accounting records and returns; and
- we were unable to determine if certain disclosures of Directors' remuneration specified by law have been made as a result of the Group's subsidiaries not being audited.

We have nothing to report where returns adequate for our audit have not been received from branches not visited by us.

**Mark Ling (Senior statutory auditor)**

1 Westferry Circus

**For and on behalf of Littlejohn LLP**

Canary Wharf

**Statutory auditor**

London E14 4HD

## Cambridge Mineral Resources Plc

### GROUP INCOME STATEMENT For the year ended 31 December 2011

	Note	2011	2010
		£'000	£'000
<b>Continuing operations</b>			
Revenue for services		14	14
Cost of sales		(11)	(11)
Gross profit		<u>3</u>	<u>3</u>
General and administrative expenses	6	(922)	(570)
Finance costs	8	(10)	(604)
Share of loss of associate	15	(175)	(142)
Exceptional items:			
- Gain on disposal of investment		-	894
- Impairment of investment in associate	15	(1,938)	-
- Impairment of available for sale financial assets	16	(534)	-
- Loss on disposal - Peru	18	(475)	-
- Provision for doubtful debt - Bulgaria	19	(87)	-
<b>Operational loss before tax</b>		<u>(4,138)</u>	<u>(419)</u>
Tax charges	9	-	-
<b>Loss after tax from continuing operations</b>		<u>(4,138)</u>	<u>(419)</u>
Loss from Discontinued Operations (attributable to equity holders of the Company)	10	-	(2)
<b>Loss for the year</b>		<u>(4,138)</u>	<u>(421)</u>

## Cambridge Mineral Resources Plc

### GROUP STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2011

	2011	2010
	£'000	£'000
Loss for the year	(4,138)	(421)
Net exchange difference	(135)	60
Reclassification of cumulative loss on translation reserve due to losses	-	(473)
<b>Total comprehensive income for the year attributable to equity shareholders</b>	<b>(4,273)</b>	<b>(834)</b>

The notes on pages 23 to 61 are an integral part of these consolidated financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company statement of comprehensive income. The loss for the parent company was £3,646,000 (2010: loss £781,000)

All activities of the Group are classed as continuing except as indicated above.

# Cambridge Mineral Resources Plc

## GROUP BALANCE SHEET As at 31 December 2011

	Note	2011 £'000	2010 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Exploration and development expenditure	11	1,155	1,155
Property, plant and equipment	12	-	1
Investment in associate	15	1,934	3,910
Available-for-sale financial assets	16	553	1,193
		<b>3,642</b>	<b>6,259</b>
<b>Current assets</b>			
Cash and cash equivalents	17	5	125
Other debtors	18	301	-
Trade and other receivables	19	110	226
		<b>416</b>	<b>351</b>
Assets classified as held for sale		-	1,378
<b>Total assets</b>		<b>4,058</b>	<b>7,988</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Deferred income	20	(1)	(1)
<b>Current Liabilities</b>			
Convertible loans	21	(116)	(183)
Other borrowings	22	(53)	(39)
Trade and other payables	23	(686)	(668)
		<b>(855)</b>	<b>(890)</b>
Liabilities directly associated with assets classified as held for sale		-	(188)
<b>Total liabilities</b>		<b>(856)</b>	<b>(1,079)</b>
<b>Net assets</b>		<b>3,202</b>	<b>6,909</b>
<b>Equity</b>			
Share capital	24	4,994	4,396
Shares to be issued	25	-	32
Share premium account		11,275	11,275
Merger reserve		703	703
Translation reserve		143	278
Accumulated loss		(13,913)	(9,775)
		<b>3,202</b>	<b>6,909</b>

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2012.

**Michael Burton**  
Director

Company Registration Number: 02255996

# Cambridge Mineral Resources Plc

## COMPANY BALANCE SHEET As at 31 December 2011

	Note	2011	2010
		£'000	£'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	-	-
Investments in subsidiaries	14	1,075	1,073
Investment in associate	15	1,934	3,910
Available-for-sale financial assets	16	553	1,193
		<u>3,562</u>	<u>6,176</u>
<b>Current assets</b>			
Cash and cash equivalents	17	1	124
Other debtors	18	301	-
Trade and other receivables	19	37	219
		<u>339</u>	<u>343</u>
Assets classified as held for sale		-	501
<b>Total assets</b>		<u><b>3,901</b></u>	<u><b>7,020</b></u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Convertible loans	21	(116)	(183)
Other borrowings	22	(53)	(39)
Trade and other payables	23	(642)	(628)
		<u>(811)</u>	<u>(850)</u>
<b>Net assets</b>		<u><b>3,090</b></u>	<u><b>6,170</b></u>
<b>Equity</b>			
Share capital	24	4,994	4,396
Shares to be issued	25	-	32
Share premium account		11,275	11,275
Merger reserve		703	703
Accumulated loss		(13,882)	(10,236)
		<u>3,090</u>	<u>6,170</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2012.

**Michael Burton**  
Director

Company Registration Number: 02255996

Cambridge Mineral Resources Plc

GROUP STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2011

	Share capital	Share premium	Merger reserve	Translation reserve	Accumulated losses	Minority interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Comprehensive income</b>							
At 1 January 2010	3,844	11,275	703	691	(9,354)	-	7,159
Profit (loss) for the year	-	-	-	-	(421)	-	(421)
<b>Other comprehensive income</b>							
Net exchange difference	-	-	-	60	-	-	60
Transfer from translation reserve to accumulated losses	-	-	-	(473)	-	-	(473)
Total other comprehensive income	-	-	-	(413)	-	-	(413)
<b>Total comprehensive income</b>	-	-	-	<b>(413)</b>	<b>(421)</b>	-	<b>(834)</b>
<b>Transactions with owners</b>							
Issue of ordinary shares	552	-	-	-	-	-	552
Minority interest	32	-	-	-	-	-	32
<b>Total transactions with owners</b>	<b>584</b>	-	-	-	-	-	<b>584</b>
<b>At 31 December 2010</b>	<b>4,428</b>	<b>11,275</b>	<b>703</b>	<b>278</b>	<b>(9,775)</b>	-	<b>6,909</b>

Cambridge Mineral Resources Plc

**GROUP STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2011

	Share capital	Share premium	Merger reserve	Translation reserve	Accumulated losses	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2011	4,428	11,275	703	278	(9,775)	6,909
<b>Comprehensive income</b>						
Profit (loss) for the year	-	-	-	-	(4,138)	(4,138)
<b>Other comprehensive income</b>						
Net exchange difference	-	-	-	(135)	-	(135)
<b>Total other comprehensive income</b>	-	-	-	(135)	-	(135)
<b>Total comprehensive income</b>	-	-	-	(135)	(4,138)	(4,273)
<b>Transactions with owners</b>						
Ordinary shares issued	598	-	-	-	-	598
Ordinary shares to be issued	(32)	-	-	-	-	(32)
<b>Total transactions with owners</b>	<b>566</b>	-	-	-	-	<b>566</b>
<b>At 31 December 2011</b>	<b>4,994</b>	<b>11,275</b>	<b>703</b>	<b>143</b>	<b>(13,913)</b>	<b>3,202</b>

Cambridge Mineral Resources Plc

COMPANY STATEMENT OF CHANGES IN EQUITY  
For the year ended 31 December 2010

	Share capital	Share premium	Merger reserve	Accumulated losses	Total equity
	£'000	£'000	£'000	£'000	£'000
<b>Comprehensive income</b>					
At 1 January 2010	3,844	11,275	703	(9,455)	6,367
Profit (loss) for the year	-	-	-	(781)	(781)
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	(781)	(781)
<b>Transactions with owners</b>					
Ordinary shares issued	552	-	-	-	552
Ordinary shares to be issued	32	-	-	-	32
<b>Total transactions with owners</b>	<b>584</b>	-	-	-	<b>584</b>
<b>At 31 December 2010</b>	<b>4,428</b>	<b>11,275</b>	<b>703</b>	<b>(10,236)</b>	<b>6,170</b>

Cambridge Mineral Resources Plc

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2011

	Share capital	Share premium	Merger reserve	Accumulated losses	Total Equity
	£'000	£'000	£'000	£'000	£'000
At 1 January 2011	4,428	11,275	703	(10,236)	6,170
<b>Comprehensive income</b>					
Profit (loss) for the year	-	-	-	(3,646)	(3,646)
<b>Other comprehensive income</b>					
<b>Total comprehensive income</b>	-	-	-	(3,646)	(3,646)
<b>Transactions with owners</b>					
Ordinary shares issued	598	-	-	-	598
Ordinary shares to be issued	(32)	-	-	-	(32)
<b>Total transactions with owners</b>	566	-	-	-	566
<b>At 31 December 2011</b>	<b>4,994</b>	<b>11,275</b>	<b>703</b>	<b>(13,882)</b>	<b>3,090</b>

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

### CASH FLOW STATEMENT

For the year ended 31 December 2011

	Note	Group		Company	
		2011	2010	2011	2010
		£000	£000	£000	£000
<b>Net cash used in operating activities</b>	27	<b>(398)</b>	(437)	<b>(422)</b>	(518)
<b>Investing activities</b>					
Exploration costs	11	-	190	-	-
Exploration costs written-off on disposal of investment in subsidiary		-	(190)	-	-
Loans granted to subsidiary undertakings		(9)	-	(9)	103
Loans granted to associate		(51)	-	(30)	-
Proceeds from sale of available for sale investments	16	<b>68</b>	147	<b>68</b>	147
Proceeds from sale of assets	18	<b>357</b>	-	<b>357</b>	-
<b>Net cash used in investing activities</b>		<b>365</b>	147	<b>386</b>	250
<b>Financing activities in continuing operations</b>					
Proceeds from issue of share capital	24	<b>2</b>	45	<b>2</b>	45
Proceeds from share capital to be issued	25	<b>(26)</b>	32	<b>(26)</b>	32
Short term loans repaid/received	21,22	<b>(63)</b>	238	<b>(63)</b>	238
<b>Net cash generated from financing activities</b>		<b>(87)</b>	315	<b>(87)</b>	315
<b>Financing activities in discontinued operations</b>					
Proceeds from sale of assets		-	63	-	63
<b>Increase/(decrease) in cash</b>		<b>(120)</b>	88	<b>(123)</b>	110
<b>Cash at the beginning of the period</b>		<b>125</b>	37	<b>124</b>	14
<b>Cash and cash equivalents at the end of the period</b>		<b>5</b>	125	<b>1</b>	124

### Major non-cash transactions

#### Shares

During 2011 the Company settled the professional fees due on the disposal of its former subsidiary Recursos Metalicos SL and the repayment of various loans by the issue and allotment of 11,800,000 shares in the Company (see notes 23 and 24) with a value of £590,000.

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 1. General information

The principal activity of Cambridge Mineral Resources Plc ("the Company") and its subsidiaries (together 'the Group') is the exploration and development of precious and base metal resources. The Company is incorporated and domiciled in the UK.

The address of its registered office is 9 Greenleaf House, 128 Darkes Lane, Potters Bar, Hertfordshire EN6 1AE.

### 2. Summary of Significant Accounting Policies

The principal Accounting Policies applied in the preparation of these Financial Statements are set out below. These Policies have been consistently applied to all the periods presented, unless otherwise stated.

#### 2.1 Basis of Preparation of Financial Statements

The Consolidated Financial Statements have been prepared in accordance with EU-endorsed International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations and the parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Consolidated Financial Statements have also been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The Financial Statements are presented in Pounds Sterling rounded to the nearest pound.

Cambridge Mineral Resources Plc, the legal parent, is domiciled and incorporated in the United Kingdom.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's Accounting Policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 4.

#### 2.2 Basis of Consolidation

The Group Financial Statements consolidate the Financial Statements of Cambridge Mineral Resources Plc and the management accounts of all of its subsidiary and associate undertakings made up to 31 December 2011.

##### Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 2.2 Basis of Consolidation (continued)

contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income (note 2.7).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (b) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

#### (c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 2.2 Basis of Consolidation (continued)

Dilution gains and losses arising in investments in associates are recognised in the income statement.

### 2.3 Going Concern

The Group's business activities together with the factors likely to affect its future development, performance and position are set out in the Chairman's report on page 4. In addition, notes 3 and 4 to the Financial Statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposure to credit and liquidity risk.

The Financial Statements have been prepared on a going concern basis. Although the Group's assets are not generating revenues and an operating loss has been reported, the Directors believe that the Group will have sufficient funds to undertake its operating activities over the next 12 months including any additional payment required in relation to its current exploration projects. However, in order to meet overheads and the minimum spending requirements over the life of existing projects and as additional projects are identified additional funding will be required. The amount of funding is unforeseen at the point of approval of these Financial Statements and the Group will be required to raise additional funds either via an issue of equity or through the issuance of debt.

The Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### 2.4 Changes in accounting policy and disclosures

#### *(a) New and amended standards adopted by the Group*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

A revised version of IAS 24 "Related Party Disclosures" simplified the disclosure requirements for government-related entities and clarified the definition of a related party. This revision was effective for periods beginning on or after 1 January 2011; and

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" clarified the treatment required when an entity renegotiates the terms of a financial liability with its creditor, and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. This interpretation was effective for periods beginning on or after 1 July 2010.

#### *(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2011 but not currently relevant to the Group*

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011, but are not relevant to the Group.

Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" replace references to a fixed date of 1 January 2004 with "the date of transition to IFRSs", thus eliminating the need for companies adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs, and provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. This

## Cambridge Mineral Resources Plc

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

#### 2.4 Changes in accounting policy and disclosures (continued)

amendment was effective for periods beginning on or after 1 July 2011 and is not expected to have an impact on the Group's financial statements ; and

An amendment to IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", on prepayments of a minimum funding requirement, applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. This amendment was effective for periods beginning on or after 1 January 2011, and is not expected to have an impact on the Group's financial statements.

*(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted are as follows.*

IFRS 9 "Financial Instruments" specifies how an entity should classify and measure financial instruments, including some hybrid contracts, with the aim of improving and simplifying the approach to classification and measurement compared with IAS 39. This standard is effective for periods beginning on or after 1 January 2015, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group's financial statements.

In October 2010, the requirements for classification and measurement of financial liabilities were added to IFRS 9. This is effective for periods beginning on or after 1 January 2015, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group's financial statements.

Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" clarify the IASB's intention when first issuing the transition guidance in IFRS 10, provide similar relief in IFRS 11 and IFRS 12 from the presentation or adjustment of comparative information for periods prior to the immediately preceding period, and provide additional transition relief by eliminating the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group's financial statements.

IFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group's financial statements.

IFRS 11 "Joint Arrangements" provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group's financial statements.

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 2.4 Changes in accounting policy and disclosures (continued)

IFRS 12 “Disclosure of Interests in Other Entities” is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group’s financial statements.

IFRS 13 “Fair Value Measurement” improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. It does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group’s financial statements.

Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” require that first-time adopters apply the requirements in IFRS 9 “Financial Instruments” and IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance” prospectively to government loans existing at the date of transition to IFRSs. Entities may choose to apply the requirements retrospectively if the information needed to do so had been obtained at the time of initially accounting for the loan. This standard is effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement. This is not expected to have an impact on the Group as IFRS has been historically used;

Amendments to IFRS 7 “Financial Instruments: Disclosures” require disclosure of information that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position. This standard is effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group’s financial statements.

Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” require entities to apply IFRS 9 for annual periods beginning on or after 1 January 2015 instead of on or after 1 January 2013, subject to EU endorsement. Early application continues to be permitted. The amendments also require additional disclosures on transition from IAS 39 “Financial Instruments: Recognition and Measurement” to IFRS 9. The Directors are assessing the possible impact of this standard on the Group’s financial statements.

IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” clarifies when stripping costs incurred in the production phase of a mine’s life should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. This interpretation is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group’s financial statements.

IAS 27 “Separate Financial Statements” replaces the current version of IAS 27 “Consolidated and Separate Financial Statements” as a result of the issue of IFRS 10 (see above). This revised standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group’s financial statements.

IAS 28 “Investments in Associates and Joint Ventures” replaces the current version of IAS 28 “Investments in Associates” as a result of the issue of IFRS 11 (see above).

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 2.4 Changes in accounting policy and disclosures (continued)

This revised standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group's financial statements.

Amendments to IAS 1 "Presentation of Financial Statements" require items that may be reclassified to the profit or loss section of the income statement to be grouped together within other comprehensive income (OCI). The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. This is effective for annual periods beginning on or after 1 July 2012, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group's financial statements.

Amendments to IAS 12 "Income Taxes" introduce a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 "Investment Property" will normally be through sale. This standard is effective for annual periods beginning on or after 1 January 2012, subject to EU endorsement. This is not expected to have an impact on the Group's Financial Statements.

Amendments to IAS 19 "Employment Benefits" eliminate the option to defer the recognition of gains and losses, known as the "corridor method"; streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhance the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. This standard is effective for annual periods beginning on or after 1 January 2013, subject to EU endorsement. This is not expected to have an impact on the Group's Financial Statements.

Amendments to IAS 32 "Financial Instruments: Presentation" add application guidance to address inconsistencies identified in applying some of the criteria when offsetting financial assets and financial liabilities. This includes clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. This standard is effective for annual periods beginning on or after 1 January 2014, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group's financial statements.

"Annual Improvements 2009 - 2011 Cycle" sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:

- An amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" clarifies whether an entity may apply IFRS 1:
  - (a) if the entity meets the criteria for applying IFRS 1 and has applied IFRS 1 in a previous reporting period; or
  - (b) if the entity meets the criteria for applying IFRS 1 and has applied IFRSs in a previous reporting period when IFRS 1 did not exist.

The amendment also addresses the transitional provisions for borrowing costs relating to qualifying assets for which the commencement date for capitalisation was before the date of transition to IFRSs.

An amendment to IAS 1 "Presentation of Financial Statements" clarifies the requirements for providing comparative information:

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 2.4 Changes in accounting policy and disclosures (continued)

- (a) for the opening statement of financial position when an entity changes accounting policies, or makes retrospective restatements or reclassifications; and
- (b) when an entity provides financial statements beyond the minimum comparative information requirements.
- An amendment to IAS 16 “Property, Plant and Equipment” addresses a perceived inconsistency in the classification requirements for servicing equipment.
  - An amendment to IAS 32 “Financial Instruments: Presentation” addresses perceived inconsistencies between IAS 12 “Income Taxes” and IAS 32 with regard to recognising the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.
  - An amendment to IAS 34 “Interim Financial Reporting” clarifies the requirements on segment information for total assets and liabilities for each reportable segment.

### 2.5 Foreign Currencies

#### *(a) Functional and presentation currency*

Items included in the Financial Statements of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the ‘functional currency’). The functional currency of the UK parent entity is sterling. The currency of Spain is the Euro, the currency of Bulgaria is the Lev and the currency of Peru is the New Sol. The Financial Statements are presented in Pounds Sterling, rounded to the nearest thousands of pounds, which is the Company’s functional and Group’s presentation currency.

#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where such items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

#### *(c) Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither

## Cambridge Mineral Resources Plc

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

#### 2.5 Foreign Currencies (continued)

planned nor likely to occur in the foreseeable future are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

#### 2.6 Intangible assets

The Group recognises expenditure as exploration and evaluation assets when it determines that those assets will be successful in finding specific mineral resources. Expenditure included in the initial measurement of exploration and evaluation assets and which are classified as intangible assets relate to the acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource. Capitalisation of pre-production expenditure ceases when the mining property is capable of commercial production.

Exploration and evaluation assets are recorded and held at cost.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The assessment is carried out by allocating exploration and evaluation assets to cash generating units, which are based on specific projects or geographical areas.

Whenever the exploration for and evaluation of mineral resources in cash generating units does not lead to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities of that unit, the associated expenditures are written off to the income statement.

#### 2.7 Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all tangible assets to write off the cost less estimated residual value of each asset over its expected useful economic life on a straight line basis at the following annual rates:

Fixtures, fittings and equipment - 25%.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized within 'Other (losses)/gains' in the income statement.

#### 2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example, intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

### 2.9 Financial Assets

#### Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### *(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, restricted assets and cash and cash equivalents in the balance sheet.

##### *(ii) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

#### Recognition and measurement

Investments are initially recognised at fair value plus transaction costs, for all financial assets not carried at fair value through profit or loss. Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred, and the Group has transferred substantially all of the risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value unless the Group is precluded from doing so as, in the case of unlisted equity securities, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. In such circumstances available-for-sale financial assets are held at cost and reviewed annually for impairment. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities."

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of Other Income when the Group's right to receive payments is established.

#### Impairment of financial assets

##### *(i) Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. A financial asset, or a group of financial assets, is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset

## Cambridge Mineral Resources Plc

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

#### Impairment of financial assets (continued)

(a “loss event”), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal repayments;
- the disappearance of an active market for that financial asset because of financial difficulties;
- or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset’s original effective interest rate. The asset’s carrying amount is reduced, and the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

#### *(ii) Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. For debt securities, the Group uses the criteria referred to in (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

#### **2.10 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, demand deposits, bank overdrafts, and short-term, highly liquid investments that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value.

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

### 2.11 Taxation

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax assets and liabilities are not discounted.

### 2.12 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.13 Share Based Payments

Employees

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (shares, options and warrants) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 2.13 Share Based Payments (continued)

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When options and warrants are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (at nominal value) and share premium when the options are exercised.

The grant by the company of options and warrants over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

#### Creditors

The Group settles its financial obligations to creditors by the issue of new shares in lieu of cash when it is deemed to be necessary or of benefit to the Group to do so. In calculating the number of shares to be issued in a settlement the value of each share is a minimum of nominal value. If a share price greater than nominal value is utilized in the calculation of shares to be issued in a settlement to a creditor then the amount in excess of nominal value is credited to the share premium account.

Share based payments to creditors are separately disclosed in the cash flow statement.

### 2.14 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, returns and Value-Added Tax.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. The Group hires vehicles to its joint venture partner in Bulgaria. Revenue is recognised in the accounting period in which the services are rendered.

### 2.15 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

## **Cambridge Mineral Resources Plc**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2011**

#### **2.16 Operating Leases**

Leases of assets under which a significant amount of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to the income statement on a straight-line basis over the period of the respective leases.

#### **2.17 Finance Income**

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

#### **2.18 Discontinued operations, assets and businesses held for sale**

Cash flows and operations that relate to a major component of the business or geographical region that has been sold or is classified as held for sale are shown separately from continuing operations.

Assets and businesses classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. No depreciation is charged on assets and businesses classified as held for sale.

Assets and businesses are classified as held for sale if their carrying amount will be recovered or settled principally through a sale transaction rather than through continuing use. This condition is regarded as being met only when the sale is highly probable and the assets or businesses are available for immediate sale in their present condition or is a subsidiary acquired exclusively with a view to resale. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Finance income or costs are included in discontinued operations only in respect of financial assets or liabilities classified as held for sale or derecognised on sale.

#### **2.19 Exceptional items**

Exceptional items are disclosed separately in the Financial Statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 3. Financial Risk Management

#### 3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### ***Market Risk***

##### *(a) Foreign currency risks*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, Bulgarian Lev, Peruvian New Sol and the British Pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group negotiates all material contracts for activities in relation to its subsidiaries in the relevant local currencies. The Group does not hedge against the risks of fluctuations in exchange rates. The volume of transactions is not deemed sufficient to enter into forward contracts. The Group has not sensitised the figures for fluctuations in foreign exchange rates as the Directors are of the opinion that these fluctuations would not have a significant impact on the financial statements of the Group at the present time. The Directors will continue to assess the effect of movements in exchange rates on the Groups financial operations and initiate suitable risk management measures where necessary.

##### *(b) Price risk*

The Group is exposed to commodity price risk as a result of its operations. However, given the size of the Group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature. The Group is exposed to equity securities price risk because of investments held by the Group as available-for-sale financial assets.

##### *(c) Interest rate risk*

The Group has interest-bearing borrowings outstanding at the year end, and is therefore exposed to interest rate risk on financial liabilities. The Group also has an interest rate risk arising from its cash held on short-term deposit, which is not significant.

#### ***Credit Risk***

Credit risk arises from cash and cash equivalents.

The Company considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk. The credit rating of the Company's bank is A- (short term) and A (long term) (source: Standard & Poors as at 4 April 2012).

The Company considers that it is not exposed to major concentrations of credit risk.

#### ***Liquidity Risk***

In keeping with similar sized mineral exploration groups, the Group's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital. The

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

### Liquidity Risk (continued)

Directors are confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

### 3.2 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and to enable the Group to continue its exploration and evaluation activities. The Group's Going Concern policy is stated in note 2.3. The Group has non-interest bearing unsecured debt as at 31 December 2010. The Group monitors its level of cash resources available against future planned exploration and evaluation activities and may issue new shares in order to raise further funds from time to time.

### 3.3 Fair value estimation

Fair value measurements are disclosed according to the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2011:

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Investment in associate	-	-	1,934,000	1,934,000
Available-for-sale financial assets	-	-	553,000	553,000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2,487,000</b>	<b>2,487,000</b>

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily Plus-quoted equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available, and rely as little possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 3.3 Fair value estimation (continued)

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the changes in Level 3 instruments for the years ended 31 December 2011 and 31 December 2010:

	2011	2010
	£	£
Investment in associate	1,934,000	3,910,000
Available-for-sale financial assets	553,000	1,193,000
Assets held for sale	-	1,378,000
Liabilities directly associated with assets classified as held for sale	-	(188,000)
<b>Total</b>	<b>2,487,000</b>	<b>6,293,000</b>

In 2010 the Company disposed of its Spanish subsidiary for a consideration which was held as investment in associate and available-for-sale financial assets.

In 2010 the Company entered a conditional sale agreement for the sale of its Peruvian subsidiaries which as a result were re-classified as assets held for sale.

### 4. Critical Accounting Estimates and Judgements

The preparation of the combined financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the year. Actual results may vary from the estimates used to produce these Financial Statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant items subject to such estimates and assumptions include, but are not limited to:

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

### 4. Critical Accounting Estimates and Judgements (continued)

#### *Impairment of exploration and evaluation costs*

Exploration and evaluation costs have a carrying value at 31 December 2011 of £1,155,000 (2010: £1,155,000). Such assets have an indefinite useful life as the Group has a right to renew exploration

licenses and the asset is only depreciated once extraction of the resource commences. Management tests annually whether exploration projects have future economic value in accordance with the accounting policy stated in note 2.6. Each exploration project is subject to an annual review by the directors and the project management to determine if the exploration results returned during the year warrant further exploration expenditure and have the potential to result in an economic discovery. This review takes into consideration long term metal prices, anticipated resource volumes and supply and demand outlook. In the event that a project does not represent an economic exploration target and results indicate there is no additional upside a decision will be made to discontinue exploration. The Directors have reviewed the estimated value of each project prepared by management and have made concluded that no impairment charge is necessary.

#### *Share based payment transactions*

The Group has made awards of options and warrants over its unissued share capital to certain Directors and employees as part of their remuneration packages. Certain warrants have also been issued to shareholders as part of their subscription for shares and suppliers for various services received. The valuation of these options and warrants involves making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. These assumptions have been described in more detail in note 26.

#### *Available-for-sale financial assets*

The Group holds unlisted equity securities as available-for-sale financial assets which have a carrying value at 31 December 2011 of £552,716 (2010: £1,192,936).

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of the short-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flow.

#### *Current and deferred taxation*

The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the worldwide provision for such taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the current and deferred income tax assets and liabilities in the period in which such determination is made. Deferred tax liabilities are recognised on any fair value gains in available-for-sale financial assets. Deferred tax assets are recognised for the utilisation of the available capital tax losses against the fair value gain. Should the actual final outcome regarding the utilisation of these losses be different from management's estimations the Group may need to revise the carrying value of this asset.

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

### 4. Critical Accounting Estimates and Judgements (continued)

#### *Valuation of investment in associate*

The Group holds an investment in an associate company which has a carrying value at 31 December 2011 of £1,934,098 (2010: £3,910,395).

The Group follows the guidance of IAS 28 to determine when an investment in associate is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of the short-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flow.

### 5. Segment Reporting

Under IFRS 8 neither the Company or Group are not required to disclose segmental data because neither entity has debt or equity instruments which are traded in a public market, nor files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

### 6. Expenses by nature

	Note	2011	2010
		£'000	£'000
Auditor's fees:			
- Auditor's remuneration - Company		31	23
- Auditor's remuneration - Subsidiaries		16	17
Directors' remuneration	7	226	286
Operating expenses		708	273
Travel expenses		3	7
Depreciation and amortisation		4	7
Bank charges		2	3
Foreign exchange movements		(68)	(46)
Total administrative expenses		<u>922</u>	<u>570</u>

### 7. Directors and employees

Staff costs excluding directors during the year were as follows:

	2011	2010
	£'000	£'000
Wages and salaries	246	306
Social security costs	1	-
	<u>247</u>	<u>306</u>

The average number of employees in the Group during the year was 9 (2010:9)

Remuneration in respect of directors was as follows:

	2011	2010
	£'000	£'000
Emoluments		
- Wages and salaries	130	78
- Fees paid to directors and their service companies	96	208
	<u>226</u>	<u>286</u>

The fees have been paid to related entities and are disclosed in the related party transaction note.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2011	2010
	£'000	£'000
Emoluments	105	105

No directors participate in money purchase or final salary pension schemes.  
No director exercised any share options during the year.

## Cambridge Mineral Resources Plc

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

#### 8. Finance costs

Finance costs of £10,179 were incurred on the following transactions:

Interest of £7,796 on the balance of convertible loans

Interest of £2,383 on the balance of other loans

	Note	2011	2010
		£'000	£'000
Share placing 2009 - fees		-	60
Loan - finance charges	21	-	540
Loan - interest on principal		10	4
		<u>10</u>	<u>604</u>

#### 9. Taxation

The tax on the Group's loss before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to the losses of the consolidated entities as follows:

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Loss before tax	(4,138)	(419)	(3,646)	(781)
Tax at the applicable rate of 26% (2010: 26%)	(1,076)	(103)	(984)	(203)
Expenditure not deductible for tax purposes	835	7	708	1
Net tax effect of losses carried forward	241	102	240	202
Tax charge	-	-	-	-

No charge to taxation arises due to the losses incurred.

The Group has tax losses of approximately £9,441,000 (2010: £9,200,000) available to carry forward against future taxable profits. The Company has tax losses of approximately £9,340,000 (2010: £9,100,000) available to carry forward against future taxable profits. A deferred tax asset has not been recognised because of uncertainty over future taxable profits against which the losses may be utilised.

#### 10. Loss on discontinued operations

In December 2010 the Company's subsidiaries in Peru were sold subject to performance conditions and with deferred consideration. Those subsidiaries therefore became discontinued operations of which the net losses were:

	2011	2010
	£'000	£'000
Minera Peru Gold SAC	-	(1)
Compania Minera Sucre SAC	-	(1)
	<u>-</u>	<u>(2)</u>

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 11. Exploration and development expenditure and goodwill

Group	Goodwill	Exploration expenditure	Total
	£'000	£'000	£'000
Gross carrying amount	-	1,171	1,171
Accumulated impairment	-	(16)	(16)
<b>Carrying amount at 31 December 2010</b>	<b>-</b>	<b>1,155</b>	<b>1,155</b>
Gross carrying amounts	-	1,171	1,171
Accumulated impairment	-	(16)	(16)
<b>Carrying amount at 31 December 2011</b>	<b>-</b>	<b>1,155</b>	<b>1,155</b>

Reconciliation of the carrying amounts shown in the Group financial statements:

	Goodwill	Exploration expenditure	Total
	£'000	£'000	£'000
<b>Carrying amount at 1 January 2010</b>	<b>583</b>	<b>7,106</b>	<b>7,689</b>
Adjustment to 2009	-	(1,041)	(1,041)
Additions	-	190	190
Net exchange differences	-	(227)	(227)
Disposal of subsidiary	(583)	(4,873)	(5,456)
Impairment	-	-	-
<b>Carrying amount at 31 December 2010</b>	<b>-</b>	<b>1,155</b>	<b>1,155</b>
Additions	-	-	-
Net exchange differences	-	-	-
Disposal of subsidiary	-	-	-
Impairment	-	-	-
<b>Carrying amount at 31 December 2011</b>	<b>-</b>	<b>1,155</b>	<b>1,155</b>

At 31 December 2011 the carrying amount of exploration expenditure is that of the Company's Bulgarian subsidiary Hereward Ventures Bulgaria EAD.

The Directors have conducted a review of impairments to goodwill and exploration expenditure by comparing the carrying amounts to the estimated values of the related mineral resources and licenses with reference to technical data and reports prepared by Competent Persons. The Directors are of the opinion that no further impairment is required and therefore the carrying amounts stated above are a reasonable approximation of fair value.

## Cambridge Mineral Resources Plc

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

#### 12. Property, plant and equipment

Group	Office equipment	Motor vehicles	Total
	£'000	£'000	£'000
Gross carrying amount	261	71	332
Accumulated depreciation and impairment	(254)	(65)	(319)
<b>Carrying amount at 31 December 2009</b>	<b>7</b>	<b>6</b>	<b>13</b>
Gross carrying amount	76	64	140
Accumulated depreciation and impairment	(76)	(63)	(139)
<b>Carrying amount at 31 December 2010</b>	<b>-</b>	<b>1</b>	<b>1</b>
Gross carrying amount	-	64	64
Accumulated depreciation and impairment	-	(63)	(63)
<b>Carrying amount at 31 December 2011</b>	<b>-</b>	<b>1</b>	<b>1</b>

Reconciliation of the carrying amounts shown in the Group financial statements:

	Office equipment	Motor vehicles	Total
	£'000	£'000	£'000
<b>Carrying amount at 1 January 2009</b>	<b>8</b>	<b>39</b>	<b>47</b>
Assets disposed of:			
- Through loss of control of Caracal Cambridge Bulgaria EAD	-	(20)	(20)
Depreciation charge	(1)	(5)	(6)
Depreciation released on disposals:	-	(8)	(8)
<b>Carrying amount at 31 December 2009</b>	<b>7</b>	<b>6</b>	<b>13</b>
<b>Carrying amount at 1 January 2010</b>	<b>7</b>	<b>6</b>	<b>13</b>
Adjustment to 2009	(3)	(3)	(6)
Additions	1	-	1
Disposals	(45)	(33)	(78)
Depreciation charge	(2)	(3)	(5)
Depreciation on disposals	42	34	76
<b>Carrying amount at 31 December 2010</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>Carrying amount at 1 January 2011</b>	<b>-</b>	<b>1</b>	<b>1</b>
Additions	-	-	-
Disposals	-	-	-
Depreciation charge	-	-	-
<b>Carrying amount at 31 December 2011</b>	<b>-</b>	<b>1</b>	<b>1</b>

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 13. Property, plant and equipment (continued)

All depreciation and impairment charges are included within "administration costs" in the income statement.

<b>The Company</b>	<b>Office equipment</b>
	<b>£'000</b>
Gross carrying amount	42
Accumulated depreciation and impairment	<u>(41)</u>
<b>Carrying amount at 31 December 2009</b>	<b>1</b>
Gross carrying amount	44
Accumulated depreciation and impairment	<u>(44)</u>
<b>Carrying amount at 31 December 2010</b>	<b>-</b>
Gross carrying amount	44
Accumulated depreciation	<u>(44)</u>
<b>Carrying amount at 31 December 2011</b>	<b>-</b>

Reconciliation of the carrying amounts shown in the Company's financial statements:

<b>Carrying amount at 1 January 2009</b>	<b>4</b>
Depreciation	<u>(3)</u>
<b>Carrying amount at 31 December 2009</b>	<b>1</b>
<b>Carrying amount at 1 January 2010</b>	<b>1</b>
Depreciation	<u>(1)</u>
<b>Carrying amount at 31 December 2010</b>	<b>-</b>
<b>Carrying amount at 1 January 2011</b>	<b>1</b>
Depreciation	<u>(1)</u>
<b>Carrying amount at 31 December 2011</b>	<b>-</b>

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

### 14. Investments in subsidiaries

#### The Company

Cost or valuation	Shares in Group Undertakings	Loans to Subsidiary Undertakings	Total
	£'000	£'000	£'000
Carrying amount at 1 January 2011	824	249	<b>1,073</b>
Revaluation	-	2	<b>2</b>
<b>Carrying amount at 31 December 2011</b>	<b>824</b>	<b>251</b>	<b>1,075</b>

At 31 December 2011 the Group held shares in subsidiary undertakings as stated below.

Each of the companies' principal activities is mineral exploration and development.

<u>Name of subsidiary undertaking</u>	<u>Country of incorporation</u>	<u>% of shares held</u>	<u>Included in the consolidation</u>
Hereward Ventures Bulgaria EAD	Bulgaria	100	Yes

#### Company and Group

Hereward Ventures Bulgaria EAD has a joint venture in Caracal Cambridge Mining Ventures Limited and Caracal Cambridge Bulgaria EAD. The Company and Group had a 10% net profit share interest in those companies at the year end. Prior to 31 December 2011, the Company and Group had a 20% interest in those companies.

At 31 December 2011, the unaudited Balance Sheet of the joint ventures was:

	£'000
Exploration costs	720
Property Plant and Equipment	15
Cash and cash equivalents	16
Other debtors	6
Trade and other payables	<u>(1,227)</u>
<b>Net liabilities</b>	<b>(470)</b>
Group's share 10%	<u><u>(47)</u></u>

The Directors have conducted a review of impairments to its investments in subsidiaries by comparing the carrying amounts to the estimated values of the related mineral resources and licenses with reference to technical data and reports prepared by Competent Persons. The Directors are of the opinion that no further impairment is required as at the year end and therefore the carrying amounts stated above are a reasonable approximation of fair value.

## Cambridge Mineral Resources Plc

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

#### 15. Investment in associate

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Carrying amount at 1 January	<b>3,910</b>	-	<b>3,910</b>	-
Acquisition of investment	-	4,052	-	4,052
Share of loss in year of acquisition	<b>(142)</b>	(142)	<b>(142)</b>	(142)
Decrease in net assets	<b>(33)</b>	-	<b>(33)</b>	-
Reclassification of loans from debtors	<b>138</b>	-	<b>138</b>	-
Impairment	<b>(1,938)</b>	-	<b>(1,938)</b>	-
<b>Carrying amount at 31 December</b>	<b>1,934</b>	3,910	<b>1,934</b>	3,910

#### Reconciliation of the carrying amounts shown in the Group financial statements:

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Iberian Gold Plc:				
Assets	<b>8,758</b>	8,650	<b>8,758</b>	8,650
Liabilities	<b>(854)</b>	(381)	<b>(854)</b>	(381)
Net assets	<b>7,904</b>	8,269	<b>7,904</b>	8,269
Company share of net assets at 49%	<b>3,874</b>	4,052	<b>3,874</b>	4,052
Less, Impairment	<b>(1,938)</b>		<b>(1,938)</b>	
	<b>1,934</b>		<b>1,934</b>	
Net loss in year of acquisition	-	(291)	-	(291)
Company share of net loss at 49%	-	(142)	-	(142)

## Cambridge Mineral Resources Plc

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

#### 15. Investment in associate (continued)

During 2010 the Company sold its investment in its Spanish subsidiary Recursos Metalicos SL (“Recursos”) to Harrogate Group Plc, which was subsequently renamed Iberian Gold Plc (“Iberian”).

Under the sale agreement:

1. The total consideration due to the Company was up to 280,000,000 ordinary 1p shares in Iberian to be held in the form of a Renounceable Letter of Allotment.
2. The Company was entitled to own up to 49% of Iberian’s issued share capital from the date of Iberian’s listing.
3. Iberian had an obligation to use its reasonable endeavours to achieve a listing on a recognized investment exchange by 31 March 2012 and an obligation to use its reasonable endeavours to achieve a share price upon listing of 10p per share.

The fair value of the Company’s interest in Iberian as at 31 December 2011 has been calculated to be 49% of Iberian’s net assets, as disclosed in Iberian’s audited financial statements, of £7,904,000, being £3,873,000.

The auditors’ report in respect of Iberian was qualified on the grounds of lack of sufficient appropriate audit evidence concerning the classification and the accounting treatment in the Company’s financial statements in respect of the Company’s wholly owned subsidiary which was held for resale at a carrying value of £8,400,000, and which was not consolidated in the Company’s financial statements as required under IFRS. The audit evidence available to the auditors of Iberian was limited because they were unable to verify that the Company was actively trying to sell the subsidiary as at 31 December 2011, and they were unable to quantify the affect of the subsidiary not being consolidated because of a lack of evidence available to the auditors regarding the subsidiary’s financial performance and state of affairs.

During the year certain Directors of the Company replaced the entire board of Iberian and those Directors subsequently left the Company before the year end. Therefore, as at 31 December 2011, the Company had no presence on the board of Iberian and exercised no management or operational control over Iberian.

The Directors are satisfied that the Company’s entitlement to hold shares of up to 49% in Iberian falls within the scope of IAS 28 ‘Investments in Associates’.

The Directors have undertaken an impairment review of its equity interest in Iberian classified as investment in associate. This review has compared the value of the net assets of Iberian to the value of the related mineral assets in Spain based on valuations thereof by independent mining industry consultants and has also considered the operation of the assets by Iberian. Iberian was unable to fully fund the Spanish operations and in March 2012 Iberian notified CMR that the mining permits for Lomero-Poyatos had been cancelled by the Spanish authorities. The reasons given by the authorities related to lack of exploration work and delay in moving forward to exploitation (mining). These conditions existed at the year end. Iberian arranged for Recursos to submit an appeal against that decision but during June 2012 the authorities rejected that appeal. In view of the uncertainties surrounding the Spanish assets the board has decided to impair the carrying amount of its investment in Iberian by 50%. That figure has been arrived at as a consequence of discussions with the Company’s legal advisers as to the Company’s prospects of recovery of the mining permits by legal action against the Spanish authorities.

## Cambridge Mineral Resources Plc

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

#### 15. Investment in associate (continued)

The Group's share of results of its associate, which is unlisted, and its aggregated assets and liabilities, is as follows:

Name	Country of incorporation	Assets	Liabilities	Revenues	Profit/(Loss)	% interest held
Iberian Gold Plc	England	£4,291,264	£414,588	£nil	(£175,203)	49

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

### 16. Available for sale financial assets

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Carrying amount at 1 January	1,193	-	1,193	-
Acquisition of financial assets	-	1,193	-	1,193
Adjustment for Company share of issue of shares by Iberian	(61)	-	(61)	-
Adjustment for share of Company disposal of shares	43	-	43	-
Disposals	(88)	-	(88)	-
	1,087	1,193	1,087	1,193
Impairment	(534)	-	(534)	-
<b>Carrying amount at 31 December</b>	<b>(553)</b>	<b>1,193</b>	<b>(553)</b>	<b>1,193</b>

Reconciliation of the carrying amounts shown in the Group financial statements:

	2011	2010	2011	2010
	Shares of 1p each		£	£
<b>Iberian shares in issue:</b>				
As at 1 January	32,826,667	22,760,000		
Issued in year	12,503,451	10,066,667		
<b>As 31 December</b>	<b>45,330,118</b>	<b>32,826,667</b>		
<b>Shares due to the Company:</b>				
As at 1 January	265,448,333	-		
Due upon sale of subsidiary	-	280,000,000		
Less, shares disposed of	(8,750,397)	(14,551,667)	(87,504)	(392,750)
<b>As 31 December</b>	<b>256,697,936</b>	<b>265,448,333</b>		
<b>Total shares in issue and to be issued</b>	<b>302,028,054</b>	<b>298,275,000</b>		
<b>Available for sale financial assets:</b>				
Total shares in issue and to be issued	302,028,054	298,275,000		
49% of total shares	147,993,746	146,154,750		
Shares due to the Company	256,697,936	265,448,333		
Less, 49% of total shares	(147,993,746)	(146,154,750)		
<b>Balance of shares available for sale</b>	<b>108,704,190</b>	<b>119,293,583</b>	<b>1,087,042</b>	<b>1,192,936</b>
<b>Shares disposed of during year:</b>				
- Cash	4,115,995	4,891,667	41,160	146,750
- Cash: adjustment to prior year	2,674,402	-	26,744	-
- Settlement of trade and other payables	1,960,000	60,000	19,600	6,000
- Settlement of convertible loan liabilities	-	9,600,000	-	240,000
<b>Total</b>	<b>8,750,397</b>	<b>14,551,667</b>	<b>87,504</b>	<b>392,750</b>

## Cambridge Mineral Resources Plc

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

#### 16. Available for sale financial assets (continued)

During 2010 the Company sold its investment in its Spanish subsidiary Recursos Metalicos SL to Harrogate Group Plc, which was subsequently renamed Iberian Gold Plc ("Iberian"). Under the sale agreement the total consideration due to the Company was up to 280,000,000 ordinary 1p shares in Iberian to be held in the form of Renounceable Letters of Allotment.

Iberian had an obligation to use its reasonable endeavours to achieve a listing on a recognized investment exchange by 31 March 2012 and an obligation to use its reasonable endeavours to achieve a share price upon listing of 10p per share.

The Company was entitled to own up to 49% of Iberian's issued share capital from the date of Iberian's listing with the balance of shares being held under Renounceable Letters of Allotment.

Following the sale the Company has renounced and disposed of 23,302,064 of its shares in Iberian leaving a total number of shares due to the Company of 256,697,936, of which 108,704,190 shares have been accounted for as Investment in Associate in accordance with IAS 28 as stated in Note 4.

The fair value of the Company's interest in its available for sale financial asset has been calculated to be 108,704,190 Iberian shares at 1p per share, being £1,087,042.

The Directors have undertaken an impairment review of its equity interest in Iberian classified as investment in associate. This review has compared the value of the net assets of Iberian to the value of the related mineral assets in Spain based on valuations thereof by independent mining industry consultants and has also considered the operation of the assets by Iberian. Iberian was unable to fully fund the Spanish operations and in March 2012 Iberian notified CMR that the mining permits for Lomero-Poyatos had been cancelled by the Spanish authorities. The reasons given by the authorities related to lack of exploration work and delay in moving forward to exploitation (mining). These conditions existed at the year end. Iberian arranged for Recursos to submit an appeal against that decision but during June 2012 the authorities rejected that appeal. In view of the uncertainties surrounding the Spanish assets the board has decided to impair the carrying amount of its interest in the Renounceable Letters of Allotment of Iberian Iberian by 50%. That figure has been arrived at as a consequence of discussions with the Company's legal advisers as to the Company's prospects of recovery of the mining permits by legal action against the Spanish authorities.

The Directors are satisfied that the Company's investment in associate represents fair value and that therefore no further impairment is required.

#### 17. Cash and cash equivalents

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Cash and cash equivalents	5	125	1	124

#### 18. Other debtors

During the year ownership of the Company's Peruvian subsidiary Minera Peru Gold SAC was transferred to Gold Mines of Peru Pty Limited and as a result the amounts previously accounted for as Assets and associated liabilities classified as held for sale and Deferred income have been transferred to Other debtors.

This transaction completed during 2012. For further information please see note 33 Post balance sheet events.

## Cambridge Mineral Resources Plc

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

#### 18. Other debtors (continued)

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Transferred from Assets and associated liabilities classified as held for sale	1,196	-	581	-
Transferred from Deferred income	(63)	-	(63)	-
Cash received in year	(357)	-	(357)	-
(Loss)/gain on disposal	(475)	-	140	-
<b>Total</b>	<b>301</b>	<b>-</b>	<b>301</b>	<b>-</b>

#### 19. Trade and other receivables

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Amounts owed by joint venture	88	88	88	88
Provision for jv doubtful debt	(87)	-	(87)	-
Recoverable VAT	16	-	16	-
Other receivables	92	137	20	131
Prepayments and accrued income	1	1	-	-
<b>Total trade and other receivables</b>	<b>110</b>	<b>226</b>	<b>37</b>	<b>219</b>

Trade and other receivables are all due within one year. The fair value of all receivables is the same as their carrying values.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The carrying values are considered to be a reasonable approximation of fair value and are considered recoverable within one year by the directors.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies: UK Pounds, Euros, US Dollars, Bulgarian Leva.

#### 20. Non-current liabilities - Deferred Income

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Deferred income from non-returnable grant	1	1	-	-

## Cambridge Mineral Resources Plc

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

#### 21. Convertible Loans

On 5 April 2010 the Company entered into Loan Agreements in respect of £180,000 of borrowings with finance charges of £540,000.

Under the terms of the Loan Agreements, the Loans could be converted at the lenders' options into new ordinary shares of the Company at nominal value, at any time from 5 April 2010 until maturity at 30 September 2010. The values of the liability component and equity conversion component were determined at the date of the issue of the Loan Agreements.

The fair value of the liability component was calculated using an interest rate at which the Company would be able to obtain a similar loan without the option to convert.

The Loan Agreements were interest-bearing from 30 September 2010 at a rate of 1% over the base rate of the Royal bank of Scotland Plc. The interest charge for the year was £7,796.

As at the date of maturity year end the lenders had exercised their options to convert the finance charges component of their loans into a combination of ordinary shares of the Company at the nominal price of 5p per share and shares the Company held in Iberian Gold Plc at a price of 2.5p per share, and the Company allotted those shares to the lenders. The lenders also agreed to convert the principal amount due to settlement in cash.

## Cambridge Mineral Resources Plc

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

#### 21. Convertible Loans (continued)

The balance of the convertible loans is calculated as follows:

	Note	Group		Company	
		2011	2010	2011	2010
		£'000	£'000	£'000	£'000
Principal amount of Convertible Loan Agreements	16	180	180	180	180
Re-allocation of deemed equity component		31	31	31	31
Liability component upon initial recognition		211	211	211	211
Increase (decrease) in liability brought forward		4	-	4	-
Finance charges in year	8	7	544	7	544
Conversion of loan liabilities into shares in the Company	24	-	(300)	-	(300)
Conversion of loan liabilities into shares of Iberian Gold Plc	16	-	(240)	-	(240)
De-recognition of initial equity component upon conversion of liabilities into shares		(31)	(32)	(31)	(32)
Repayment of principal		(75)	-	(75)	-
Liability component at year end		116	184	116	184
Being:					
Current Liability		116	184	116	184
Non-current Liabilities		-	-	-	-
		116	183	116	183

The carrying value of the convertible loan is presumed to be the fair value at the Balance Sheet date.

#### 22. Borrowings - Other

During 2010 the Company entered into Loan Agreements totalling £57,500 with interest payable at 1% over the Royal Bank of Scotland Plc base rate and which were payable within one year.

	Note	Group		Company	
		2011	2010	2011	2010
		£'000	£'000	£'000	£'000
<b>At 1 January</b>		39	-	39	-
Loans received		12	58	12	58
Finance charges	8	2	1	2	1
Conversion of loan liabilities into shares in the Company	24	-	(20)	-	(20)
<b>At 31 December</b>		53	39	53	39

## Cambridge Mineral Resources Plc

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

#### 23. Trade and other payables

Current liabilities:	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Trade and other payables	304	253	261	253
Social security and other taxes	38	32	37	32
Accruals and deferred income	344	383	344	383
<b>Total trade and other payables</b>	<b>686</b>	<b>668</b>	<b>642</b>	<b>628</b>

The carrying values are considered to be a reasonable approximation of fair value and are considered by the directors as payable within one year.

The Company has made the following settlements of trade and other payables by non-cash consideration:

	Note	Group		Company	
		2011	2010	2011	2010
		£'000	£'000	£'000	£'000
By allotment of shares in the Company	24	590	128	590	128
By allotment of shares in Iberian Gold Plc	16	-	6	-	6
		<b>590</b>	<b>134</b>	<b>590</b>	<b>30</b>

#### 24. Share capital

	2011	2010
	£'000	£'000
Authorised 100,000,000 ordinary shares of 5p each	5,000	5,000
Allotted, called up and fully paid: 99,898,157 ordinary shares of 5p each (2010: 88,053,189 ordinary shares of 5p each)	4,994	4,396

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

### 24. Share capital (continued)

#### Allotments during the year:

	Note	2011		2010	
		Shares	£	Shares	£
<b>At 1 January</b>		<b>88,053,189</b>	<b>4,395,658</b>	76,873,141	3,843,657
Adjustment to prior year		-	<b>5,656</b>	(50,000)	-
Issued for cash		<b>44,968</b>	<b>2,248</b>	1,080,048	44,501
Issued for non-cash:					
- Settlement of trade and other payables	23	<b>11,800,000</b>	<b>590,000</b>	2,550,000	127,500
- Settlement of liability arising from December 2009 share placing	8	-	-	1,200,000	60,000
- Settlement of liabilities under Convertible Loans	21	-	-	6,000,000	300,000
- Settlement of liabilities under Other Borrowings	22	-	-	400,000	20,000
		<b>11,800,000</b>	<b>590,000</b>	10,150,000	507,500
<b>At 31 December</b>		<b>99,898,157</b>	<b>4,993,562</b>	88,053,189	4,395,658

### 25. Shares to be issued

The following subscriptions for shares were received during the year and the shares were issued and allotted after the year end:

	2011		2010	
	Shares	£	Shares	£
<b>At 1 January</b>	<b>648,012</b>	<b>32,401</b>	-	-
Subscribed for cash	-	-	648,012	32,401
Issued in year	<b>(68,132)</b>	<b>(5,657)</b>	-	-
Adjustment to prior year	<b>(579,880)</b>	<b>(26,744)</b>	-	-
<b>At 31 December</b>	<b>-</b>	<b>-</b>	648,012	32,401

## Cambridge Mineral Resources Plc

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

#### 26. Share options and warrants

Share options and warrants outstanding and exercisable at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price in £ per share	Shares	
		2011	2010
31-Dec-11	0.15	-	825,000
31-Dec-11	0.25	-	1,100,000
31-Dec-11	0.35	-	1,375,000
11-Dec-12	1.00	<b>3,300,000</b>	3,300,000
		<b>3,300,000</b>	6,600,000

The options and warrants are exercisable starting immediately from the date of grant and lapse on the above dates. The weighted average life of the options and warrants as at 31 December 2011 is 12 months (31 December 2010: 14.8 months). Neither the Company nor Group has any legal or constructive obligation to settle or repurchase the options or warrants in cash.

The fair value of the share options and warrants was determined using the Black Scholes valuation model. The fair value calculated was immaterial and has therefore not been recognised in the Financial Statements. The parameters used are detailed below:

	2008
	Warrants
	100p
Granted on:	12-Dec-08
Life (years)	4.0
Risk free rate	2.31%
Expected volatility	30%
Expected dividend yield	-
Marketability discount	75%
Total fair value (£000)	-

The expected volatility for the options and warrants is due to the shares not being quoted on any investment exchange.

The risk free rate of return is based on zero yield government bonds for a term consistent with the option life.

## Cambridge Mineral Resources Plc

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

#### 26. Share options and warrants (continued)

Reconciliation of options:

	2011		2010	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Outstanding as at 1 January	3,300,000	0.27	3,300,000	0.27
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding as at 31 December	3,300,000	0.27	3,300,000	0.27
Exercisable at 31 December	3,300,000	0.27	3,300,000	0.27

No options were exercised during the period. The total fair value charged to the statement of comprehensive income for the year ended 31 December 2011 was £nil (2010: £nil).

# Cambridge Mineral Resources Plc

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

### 27. Net cash outflow from operating activities

	Note	Group		Company	
		2011	2010	2011	2009
		£'000	£'000	£'000	£'000
Loss before taxation from continuing operations		<b>(4,138)</b>	(419)	<b>(3,646)</b>	(781)
Loss before taxation from discontinued operations	10	-	(2)	-	-
Depreciation		<b>4</b>	7	-	1
(Gain) loss on disposals	18	-	(894)	<b>(140)</b>	(359)
Decrease (increase) in debtors		<b>27</b>	(20)	<b>5</b>	(141)
Transfer of Hereward debtor to investment		-	-	-	(250)
(Decrease) increase in trade and other payables		<b>7</b>	(51)	<b>72</b>	208
Settlement of loan charges in respect of 2009 share placing by allotment of Company shares	24	-	60	-	60
Settlement of trade and other payables by allotment of Company shares	9,24,33	<b>590</b>	128	<b>590</b>	128
Settlement of convertible loan liabilities by allotment of Company shares	9,21,24	-	300	-	300
Settlement of other borrowings liabilities by allotment of Company shares	9,22,24	-	20	-	20
Settlement of trade and other payables by disposal of available-for-sale financial assets	9,16.3,23	<b>20</b>	6	<b>20</b>	6
Settlement of convertible loan liabilities by disposal of available-for-sale financial assets	21	-	240	-	240
Foreign exchange movements		<b>(134)</b>	46	<b>(74)</b>	(92)
Share of loss in associate	15	<b>175</b>	142	<b>175</b>	142
Impairments		<b>2,491</b>	-	<b>2,491</b>	-
Provisions for doubtful debts		<b>560</b>	-	<b>85</b>	-
<b>Net cash inflow (outflow) from operating activities</b>		<b>(398)</b>	(437)	<b>(422)</b>	(518)

## Cambridge Mineral Resources Plc

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

#### 28. Capital commitments

The Company had no capital commitments at 31 December 2010 or at 31 December 2011.

#### 29. Contingent liabilities

The Company had no contingent liabilities at 31 December 2011.

#### 30. Contingent assets

Company and Group

During 2008 the Company had a prepayment agreement in relation to its gold mine in Colombia, which is in production, foreclosed by its finance provider. This resulted in the loss of the Company's subsidiaries in Panama and Colombia which held both the gold mine and various other interests in Colombia, and the writing off of the corresponding borrowing by the Company in relation to that prepayment agreement. The circumstances of the foreclosure and the loss of the subsidiaries are under investigation. The directors believe the investigation will indicate a net recovery but this can not be ascertained without incurring costs.

Company

Under the terms of the agreement for the acquisition of Hereward Ventures Bulgaria EAD (HVB) from Hereward Ventures Plc, the Company acquired the right to receive the inter-company loans due from HVB to Hereward Ventures Plc. These loans total approximately £2.2m but as it is uncertain as to when HVB will be in a position to repay these debts the loans have not been recognised as an asset in these financial statements. The funds will be recognised in the profit and loss account as and then they are received.

#### 31. Operating lease commitments

The Group did not have any lease commitments at the year end.

#### 32. Related party transactions

The Group has taken advantage of the exemption to exclude intra-group transactions as permitted under IFRS.

The Company has the following related parties:

MBS Consultants, a company controlled by M Slater, who was a director of the Company.

Caracal Cambridge Bulgaria EAD, which was a joint venture interest of the Company.

Iberian Gold Plc, an associate company.

During the year the following services have been provided to the Company and Group:

MBS Consultants: £60,000 (2010: £60,000) for directors and consultancy fees (Company and Group).

Iberian Gold Plc: £ 50,550 (2010: £108,222) of cash advances.

At the year end there were the following liabilities outstanding:

The Company and Group were owed the following:

MBS Consultants: £87,059 (2010: £48,166).

## Cambridge Mineral Resources Plc

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011

#### 32. Related party transactions (continued)

The Company and Group were owed the following:

Caracal Cambridge Bulgaria EAD: £85,648, which has been impaired to £1,000 (2010: £92,674).

Iberian Gold Plc: £158,772 (2010: £108,222)

#### 33. Post Balance Sheet events

##### Disposal of Spanish interests

In January 2012 the Company agreed to reduce its maximum permitted shareholding in Iberian from 49% to 29.9% and to extend Iberian's long-stop listing date to 30 November 2012.

In March 2012 Iberian notified CMR that the mining permits for Lomero-Poyatos had been cancelled by the Spanish authorities. Iberian arranged for Recursos to submit an appeal against that decision but during June 2012 the authorities rejected that appeal.

Prior to that development, in anticipation of a favourable result to the appeal, the Company had agreed terms with Iberian for its re-acquisition of Recursos and exchanged contracts in early June 2012. However, as a result of the rejection of the appeal the Company was unable to complete on that transaction.

In August 2012 the board of Iberian resigned and the directors of the Company were appointed. As a result of that change of control Iberian became a subsidiary of the Company.

Following legal advice, the Company initiated legal action against the Spanish authorities over the mining permits, the outcome of which is awaited.

In August 2012 Recursos received notification by the Spanish authorities that its environmental plan for Lomero-Poyatos had been approved. This leaves the issuance of the mining plan outstanding and subject to the outcome of the permit matter mentioned above.

##### Disposal of Peruvian interests

In December 2010 the Company entered into a sale agreement with Gold Mines of Peru Ltd ("GMP"), for the disposal of the Company's Peruvian interests, being its subsidiaries Minera Peru Gold SAC and Compania Minera Sucre SAC, which together hold the Patacancha group of mining concessions in southern Peru.

In April 2012 the Company obtained a revised agreement with GMP whereby the Company would receive the outstanding consideration due in a combination of cash and listed shares.

In May 2012 GMP disposed of all of its interests to Laconia Resources Limited ("Laconia"), a company listed on the ASX, and the Company received 11,800,000 freely-tradable Laconia ordinary shares, an entitlement to a further 2,000,000 Laconia ordinary shares and US\$120,000 in cash to be paid over six months of which the Company has received US\$60,000 to date. The current value of the 11,800,000 shares held by the Company is US\$308,000.

##### Share issues

Subsequent to the year end the following share transaction took place:

## **Cambridge Mineral Resources Plc**

### **NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2011**

In February 2012 2,200,000 ordinary shares of 5p each were issued at a price of 5p in settlement of a trade creditor.