

## **Cambridge Mineral Resources Plc**

Company Registration Number: 02255996

### **CHAIRMAN'S REPORT**

#### **(re draft Report and Financial Statements for the year ended 31 December 2011)**

This is my first report as Chairman of Cambridge Mineral Resources Plc ("CMR"), 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 have joined the Company now 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 towards listing on the stock exchange of Iberian Gold Plc ("Iberian") to whom CMR had sold its Spanish subsidiary Recursos Metalicos SL ("Recursos") which holds the exploration and exploitation permits to the gold-focussed polymetallic Lomero-Poyatos project in Andalucia, Spain. The sale had been for shares in Iberian, but because Iberian was not listed on the stock exchange those shares hold no significant value until a listing is arranged and achieved. However, Iberian has been unable to arrange a listing and so your board decided that CMR now needs to recover the value in its Spanish interests, and that this should be done by re-acquiring Recursos from Iberian.

In March 2012 Iberian notified CMR that the mining permits for Lomero-Poyatos had been cancelled by the Spanish authorities in Andalucia. 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. The re-acquisition requires substantial funding. However, as a result of the rejection of the appeal CMR is unable to complete on that transaction. Iberian is currently unable to meet the working capital requirements of Recursos, and therefore there is no certainty as to the future of Recursos and Lomero-Poyatos.

The main course of action open to Iberian (or CMR) is to mount a legal challenge to the Spanish authorities, since the original decisions have been at local authority level. However, such a legal challenge would be time-consuming and costly, and at this time no decision has yet been reached as to the way forward. In the meantime Recursos has received notification by the Spanish authorities that its environmental plan for Lomero-Poyatos has been approved. Nevertheless, that has no bearing on the permits. If the permits are lost irrevocably then CMR's historic investment in Spain of over £3M will also be lost, and CMR's sole remaining interest will be its joint venture in Bulgaria.

## **CHAIRMAN'S REPORT (continued)**

### **Peru**

Similarly CMR 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, which it was unable to do. Various obstacles arose to that and the sale finally completed in June 2012, with the final cash consideration due to be fully paid in November 2012.

The overall value of the transaction has reduced considerably. In January 2011 CMR released an announcement of the sale at a value of US\$2.35M. However, because of a fall in the value of the shares we have received, the current total value of the transaction is approximately US\$1.36M, a reduction of US\$0.99M. CMR's historic cost on the Peruvian projects was US\$1,82M. That loss will be reflected in the 2012 financial statements.

### **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**

CMR 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 whether that can be achieved.

### **FINANCIAL**

The accounts for the year-ending 31 December 2011 are enclosed. These show a Group loss of £1,087,000 (2010: £421,000) and a Company loss of £1,210,000 (2010: £781,000). The main reason for the increased losses are the professional fees incurred on the sale of Recursos to Iberian; these have been settled in CMR shares. There is a further balance of fees on that sale to be charged in 2012, again to be settled in CMR shares.

Finally, I would like to thank staff and shareholders for their loyal support to CMR, and I offer assurances that your board are highly focused on improving the potential value of your company .

**Geoffrey Hall**

Chairman

Cambridge Mineral Resources Plc

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