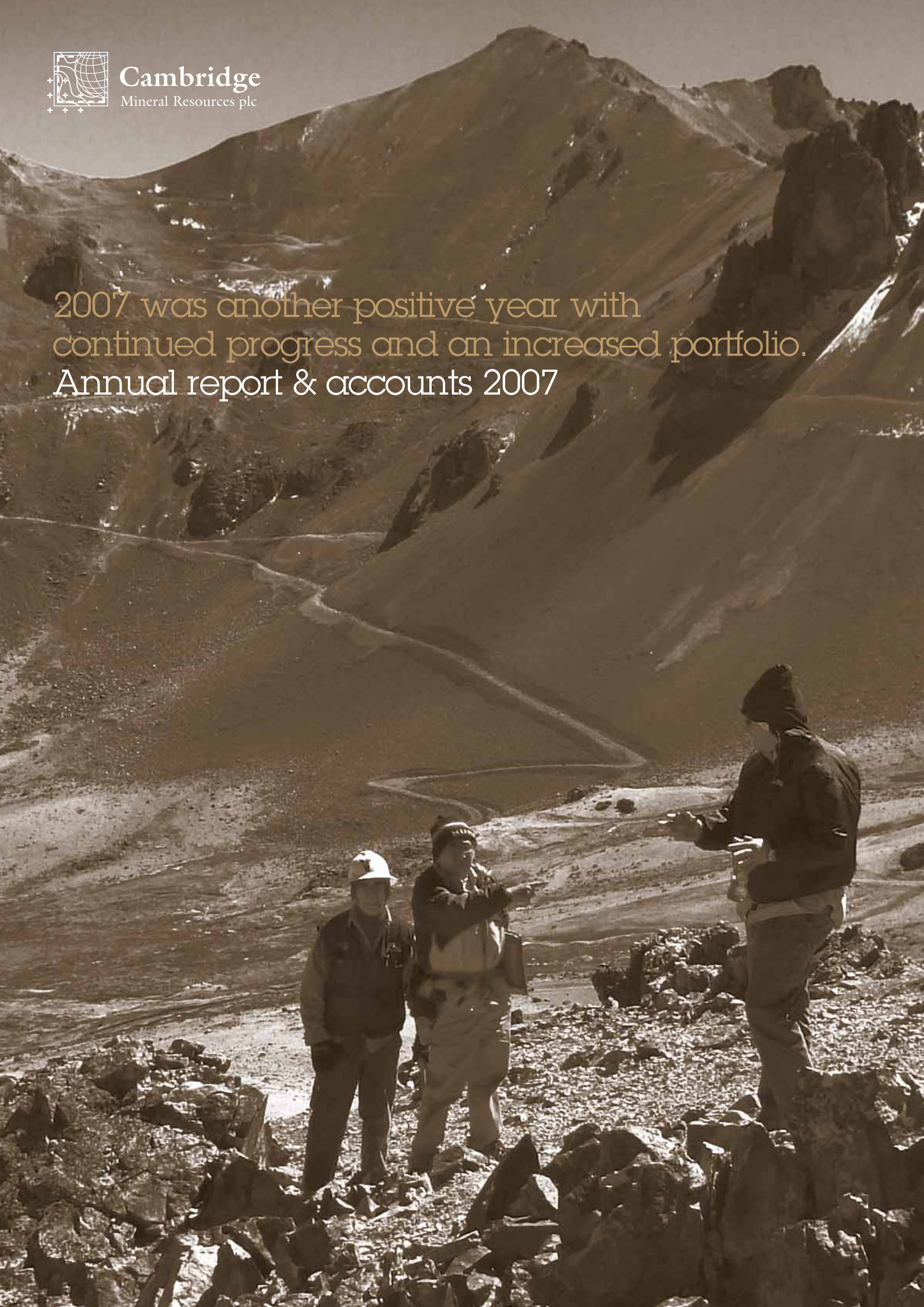




Cambridge
Mineral Resources plc

2007 was another positive year with
continued progress and an increased portfolio.
Annual report & accounts 2007



Our Mission

To advance our production of precious metals

To expand our business development programme

To establish the company as an institutional investment asset

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Cautionary statement regarding forward-looking statements

This Annual Report has been prepared for the members of the Company and no one else. The Company, its directors, employees or agents do not accept or assume responsibility to any other person in connection with this document and any such responsibility or liability is expressly disclaimed.

This Annual Report contains certain forward-looking statements with respect to the principal risks and uncertainties facing Cambridge Mineral Resources Plc. By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Annual Report, and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.

Highlights & Our Strategy at a glance

01

Colombia

Feasibility study successfully completed on our first Gold mine

Project finance secured

Peru

100% investment secured in Rasuhuilca Silver mine

Feasibility study commenced

Q4 2008

Anticipated start of gold production at Quintana

£1.3m

Equity raised through the year

Our Strategy

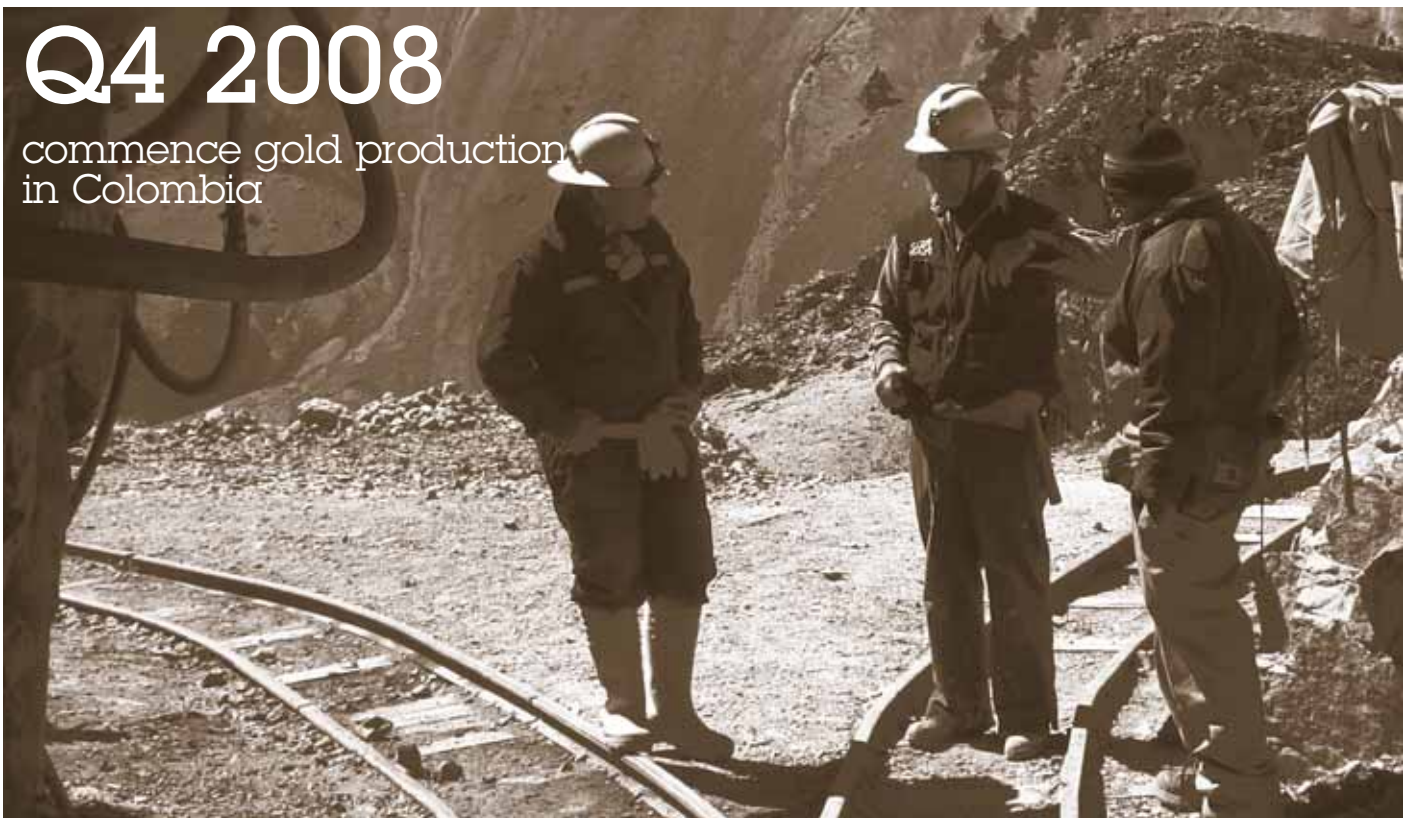
To acquire and develop a portfolio of high-grade gold mines in South America, and to increase production to economic levels by the implementation of modern mine methods and technologies.

To finance operations by the most cost-effective means available.

2007 was another positive year for the Company as it continued its progress and added value to its portfolio of mineral projects.

Q4 2008

commence gold production
in Colombia



2007 was another positive year for the Company as it continued its progress and added value to its portfolio of mineral projects. In particular, our drive towards precious metal production of 100,000 ozs gold per annum in South America advanced and we expect to commence gold production in Colombia later in 2008.

Despite considerable turbulence and difficulties in the financial markets, Cambridge Mineral Resources plc succeeded in financing Quintana, its first gold mine in Colombia and also obtained a conditional finance facility for the development of two further gold mines in that country.

Precious and base metal prices continued to increase, adding further value to CMR's projects.

Highlights during the year include:

Colombia

At our Quintana Gold Mine, we successfully completed a drilling programme in March followed in June by the completion of an independently-verified feasibility study, which confirmed initial reserves and resources totalling 86,000 ozs of gold. Following a review of the economics we decided to proceed with the mine. We approached financial institutions to seek funding for the project during the second half of 2007 and were able to successfully arrange and complete the funding in January 2008.

Peru

In February we obtained an option to purchase our partner's 50% interest in the Patachanca claim group, which we exercised in November. At our Rasuhuilca silver mine, underground development advanced with positive results and we commenced a feasibility study. Assuming a positive outcome to that study and obtaining the required finance, we expect to commence production in 2009.

Bulgaria

In August, we announced our holding of 1.5 million pounds of U308 uranium on one of our existing licenses. In October, Electrum Limited, a private international exploration group, became our joint venture partners replacing Asia Gold. Under the terms of this agreement, Electrum has to spend US\$2.2 million to earn 80% of the projects concerned. Their spend to date is US\$0.8 million.

Spain

The Company's 100%-owned projects in the Iberian Pyrite Belt in south-western Spain are: Lomero-Poyatos, a polymetallic underground mine on which we have previously completed a scoping study, and Masa Valverde, a base-metal exploration project containing the largest unmined sulphide orebody in the region. In May an independent NI 43-101 compliant study of our Spanish assets was completed, leading to discussions with third-parties regarding possible opportunities to finance and advance these projects.

Corporate

During the year, the Company raised a total of £1,411,500 before expenses in new equity via private placements. The majority of the funds raised were applied to financing the development of our South American projects. Further capital will need to be raised in 2008.

The loss for the year was £646,399 (2006: loss of £797,636). CMR continues to seek to minimise administration expenditure, notwithstanding the increasing burden of regulatory compliance costs.

Finally, the Company's South American assets have continued to develop. Our strategies for gold and silver production are on course in South America against a background of strong metal prices. We look forward to joining the ranks of junior gold and silver producers during the current financial year. To conclude, I would like to thank our shareholders for their continued support and our staff for their dedication and hard work.

Neil MacLachlan

Non-Executive Chairman

21 July 2008



Our Operations

Our prospects and projects are in environments with attractive geology.

04

Colombia



Peru



Review of Operations

05



Colombia

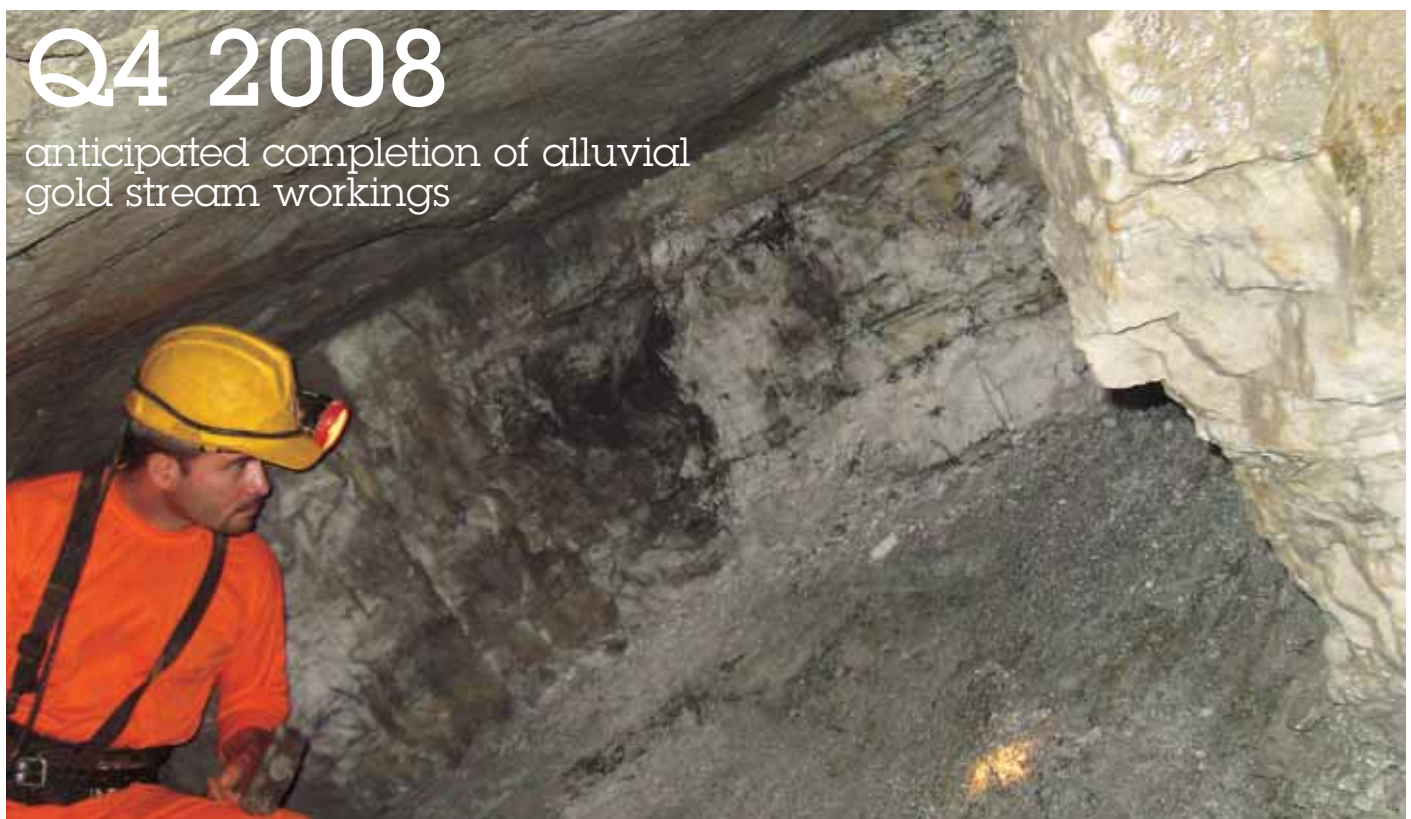
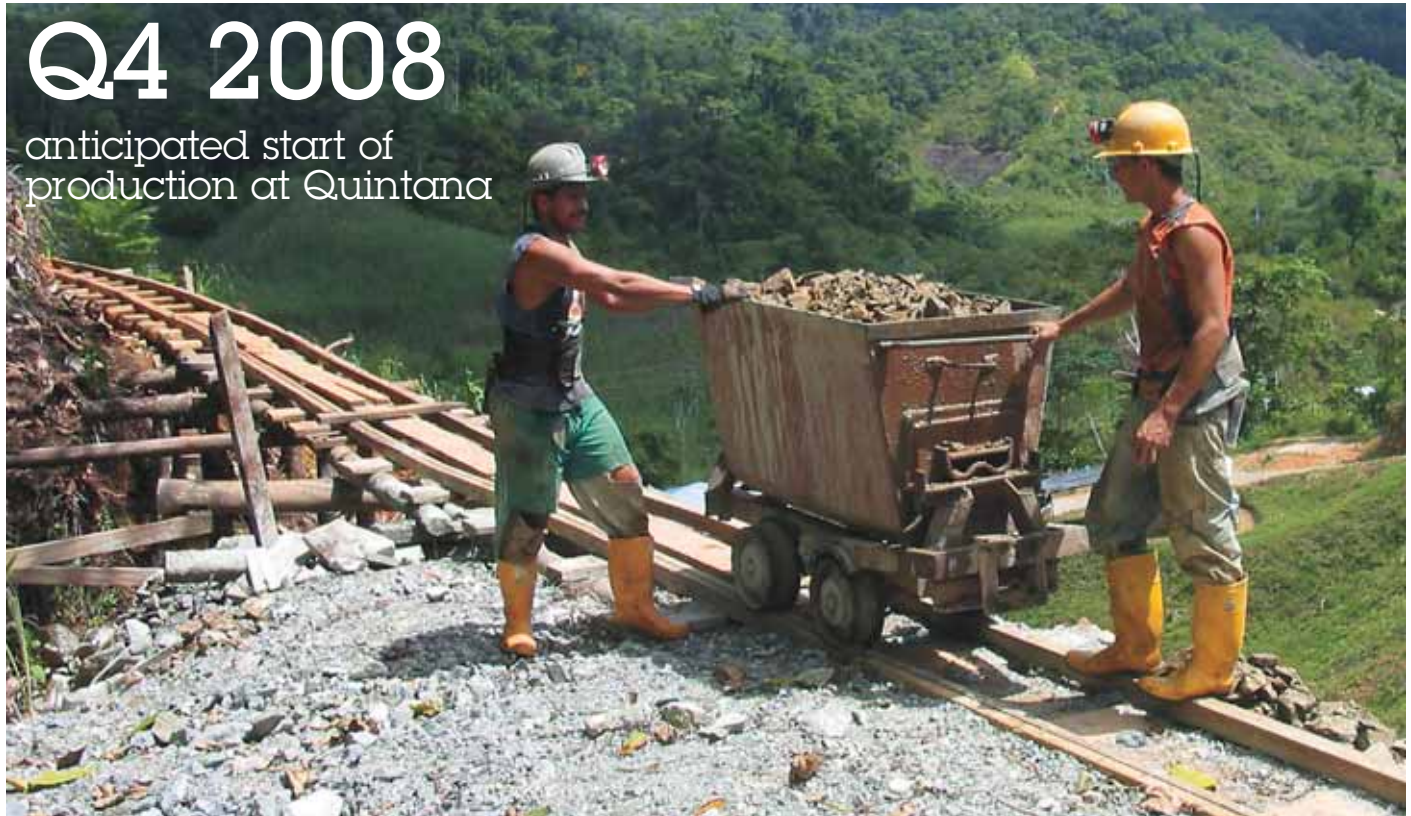
- Feasibility study for Quintona successfully completed.
- Two new concessions acquired in Frontino Gold Belt
- Over 52,000 hectares of concessions and applications now held.
- ~2,500m of drilling completed

Peru

- 235m of underground development completed.
- Pre-feasibility study development work advanced.
- Initial resource estimate 321,100 tonnes at 185.2g/t silver and 2.15g/t gold.

Review of Operations

06



Colombia

Introduction

CMR entered Colombia at the end of 2005 and holds its interests through its wholly owned subsidiary, Colgold Inc. During 2007 the Company acquired two further concessions within the world-class Frontino Gold Belt in the Antioquia Department of north-western Colombia.

In total Colgold now holds 52,745 hectares, under concession or application in Colombia, of which 35,135 hectares is held for its potential to host copper and gold porphyries in the Cauca Department of south-west Colombia.

During the year Colgold employed up to 65 subcontractors at its operations in Colombia. Colgold's recently assembled in-house diamond drilling team completed approximately 2,500m of drilling on Company properties at an average cost of approx US\$75/per metre (less than 50% of third party commercial rates). During the second half of the year, the drill rig and crews were contracted out to third parties, to ensure maximum return on the investment and to produce additional income for the Company.

Expressions of interest and confidentiality agreements have been signed with a number of major companies regarding Colgold land holdings in the Three Hills area of south-west Colombia.

Frontino Gold Belt

CMR continued to focus on the Frontino Gold Belt in the Antioquia Province, as this area has historically produced approximately 45% of the country's gold and continues to do so. This belt is one of the world's greatest mesothermal gold fields, with estimated production of 8-9Mozs from the Segovia-Remedios region alone. Mineralization occurs within extensive vein structures typically exhibiting widths from a few centimetres to several metres but typically in the 1 to 2m range. These veins either are near vertical or dip at 30-45 degrees and are formed by ribbon-banded quartz with subordinate pyrite, sphalerite and galena containing free gold and have simple metallurgical profile with excellent recoveries. Veins have been traced along strike for several thousand metres and at distances of up to 1,800m down dip.

CMR has 3 main projects within a 20km radius of Segovia-Remedios; Quintana, La Rosaleda and El Cinco. The eventual construction of a central processing plant offers a rapid method to enable multi-mine start-ups and the Company plans to develop this to a capacity of in excess of 100,000ozs per annum over the next 4 years.

Quintana

The Quintana project, which includes the Las Camelias property, is made up of 6 mining titles and one application and totals 7,667 hectares.

The Quintana Vein is a mesothermal quartz-sulphide gold vein dipping at 40 degrees to the east and averages just over 1m true thickness in the mine. A 10 drillhole programme completed in 2007, proved the existence of the vein 300m down dip and returned higher grades than seen so far in the mine and also generally better true widths.

At Quintana progress has been achieved by underground development with development completed on three levels to more than 100m down dip from the surface. Combined with the drill programme, this work has enabled the definition of a JORC compliant resource statement which has defined 109,852 tonnes at 24.58g/t gold, 19.85g/t silver (measured, indicated and inferred) containing 86,822ozs of gold. This resource is still open along strike and at depth below the deepest drill intersects.

In June 2007 CMR completed a feasibility study as to the viability of the Quintana operations, which concluded that the project would give an NPV of US\$10.8m at a 10% discount rate, based on a 50t/d operation over 5.5 years and a gold price of US\$600. The initial capital expenditure was estimated at US\$4.54m, with an average cash operating cost of US\$131/oz over the mine life.

In January 2008, CMR reported the completion of Project Finance to allow commencement of the necessary plant and infrastructure construction at the project, with the aim of achieving gold production within approximately six months. Work commenced on site in February and is currently proceeding according to schedule. The Quintana Mine is expected to commence production in Q4 2008 at a rate of ~15,200 ozs of gold and 6,000 ozs of silver per annum. Drilling currently underway may lead to further resources being defined and this production rate being increased.

El Cinco

CMR completed the negotiation of the Colina Negra Project, to give it majority interest in a contiguous block of 7,400 hectares (6 concessions and one application) around the El Cinco and Colina Negra mines.

Work on site in 2007 included the successful completion of the Chingale exploration programme as well as commencing exploration on the Colina Negra vein system and other mineralized structures, and completing initial prospecting of the surrounding areas held by the Company.

Review of Operations continued

08

Colombia continued

At Colin Negra, the following results were obtained across the vein: 1.0m at 114.31g/t gold, 1.0m at 66.2g/t gold, 1.5m at 35.2g/t gold, 1.0m at 22.5g/t gold, 1.0m at 10.4g/t gold and 1.57m at 10.1g/t gold. Prospecting results from the surrounding areas identified five areas for further exploration, with results including 19.68g/t gold and 40g/t silver over 0.7m in quartz float and 5.76g/t gold and 10.2g/t silver over 1m in an outcrop of the main vein nearby, as well as 1.79g/t gold, 318.4g/t silver and 20.23g/t gold, 7g/t silver from old waste dump piles of now abandoned trial workings.

CMR is in the process of commencing road construction to the site, to facilitate a significant (>8,000m) diamond drilling campaign to test the Chingale and Colina Negra veins at depth. Success of this programme will lead to underground access development for an exploration/production programme, which should in turn lead to the definition of resources to permit the commencement of a feasibility study as to whether these veins can become the second and third mine developments.

La Rosaleda

The La Rosaleda project is CMR's third project in the Frontino Gold Belt and comprises 566.2 hectares in three concessions and three applications, to the immediate south of Frontino Gold Mines in the Segovia-Remedios area.

Initial exploration on the project commenced in May 2007 with a surface-prospecting programme and to date over sixty old artisanal mine workings have been identified and which reflect the three main structural trends seen in the district. In addition two currently active artisanal mines are located just outside the area of the agreement, returning grades of 6.89g/t gold and 57.6g/t silver over 0.9m. It is planned to move the project to the drill ready stage by the end of 2008.

Mina del Sol

The Mina del Sol project also lies in Antioquia Province some 45km north-east of Medellin and comprises 578.2 hectares in two permits.

During 2007 CMR completed a five drillhole, 700m programme to follow up its trenching programme, which had returned grades up to 70.72m at 1.41g/t gold. The first drillhole was mineralized throughout its entire length, giving an average grade of 1.46g/t gold over 90.0m.

Follow up drillhole ERD-0705 carried 138.84m at 0.16g/t gold and hole ERD-0705 148.5m at 0.19g/t gold. Although not of economic grade, the width and continuity of this mineralization is considered to be highly significant and prospective for the discovery of a major intrusion-related gold deposit.



- 01 Construction of bed to the Tailings Management Facility at Quintana.
- 02 Commencement of trial stoping at Quintana, Level 2N.
- 03 View over the Tailings Management Facility Site at the start of construction.

It is important to note that this is the first drilling at Mina del Sol. Consequently, the controls of mineralization are as yet not fully understood, so that some of the drillholes missed the intended target. However, the information gained from this initial drilling will enable the next phase of drilling to be better targeted by refining the geological model in terms of the orientation and controls of the mineralization.

Mina la Linda

The La Linda project lies to the south-west of Medellin just across the border between Antioquia and Caldas Provinces. During 2007 CMR completed horizontal underground development on the La Linda vein, which has now been completed to 51m from the adit portal. At the level of the adit a complex faulted section was encountered between 31-49m, which has the effect of both thinning the vein and reducing the gold grade. As a result, the weighted average for the vein along its entire exposed length in the adit reduced to 6.02g/t gold and 13.9g/t silver over 0.68m. It is believed that the fault zone encountered has now been passed and it is planned to continue further adit development for an additional 50m before commencing vertical development to allow for definition of the vein in three dimensions.

Three Hills

The Three Hills project comprises 35,135 hectares of exploration territory situated in the western Cordillera of Colombia in Cauca Province. Due to adverse weather conditions in Colombia during the first half of 2007, it was not possible to complete the proposed follow-up prospecting programme of the Three Hills project. Further to the initial field expedition to the area, which noted extensive artisanal alluvial gold workings in the streams draining the area. It is hoped that during 2008 it will be possible to complete this programme and define the source of alluvial gold currently being exploited in the streams. CMR has commenced discussions with a number of major international mining companies regarding the possibility of entering into a joint venture to fast track exploration on the property.

Q4 2008

proposed follow-up prospecting at Three Hills

Colina Negra

Sampling results across the vein include 1.0m at 114.31g/t gold and 1.0m at 66.2g/t gold, 1.5m at 35.2g/t gold, 1.0m at 22.5g/t gold, 1.0m at 10.4g/t gold and 1.57m at 10.1g/t gold

La Rosaleda

Returning grades include 6.89g/t gold and 57.6g/t silver over 0.9m

La Rosaleda is CMR's third project and comprises 566.2 hectares in three concessions and three applications to the immediate south of Frontino gold mines in the Segovia-Remedios area

Mina la Linda

Horizontal underground development has been completed to 51m from the adit portal

Mina del Sol

Returned grades 70.72m at 1.41g/t gold

Follow up drillhole ERD-0705 carried 138.84m at 0.16 g/t gold and hole ERD-0705 148.5m at 0.19g/t gold

578.2 hectares in two permits

Three Hills

The project comprises 35,135 hectares of exploration territory

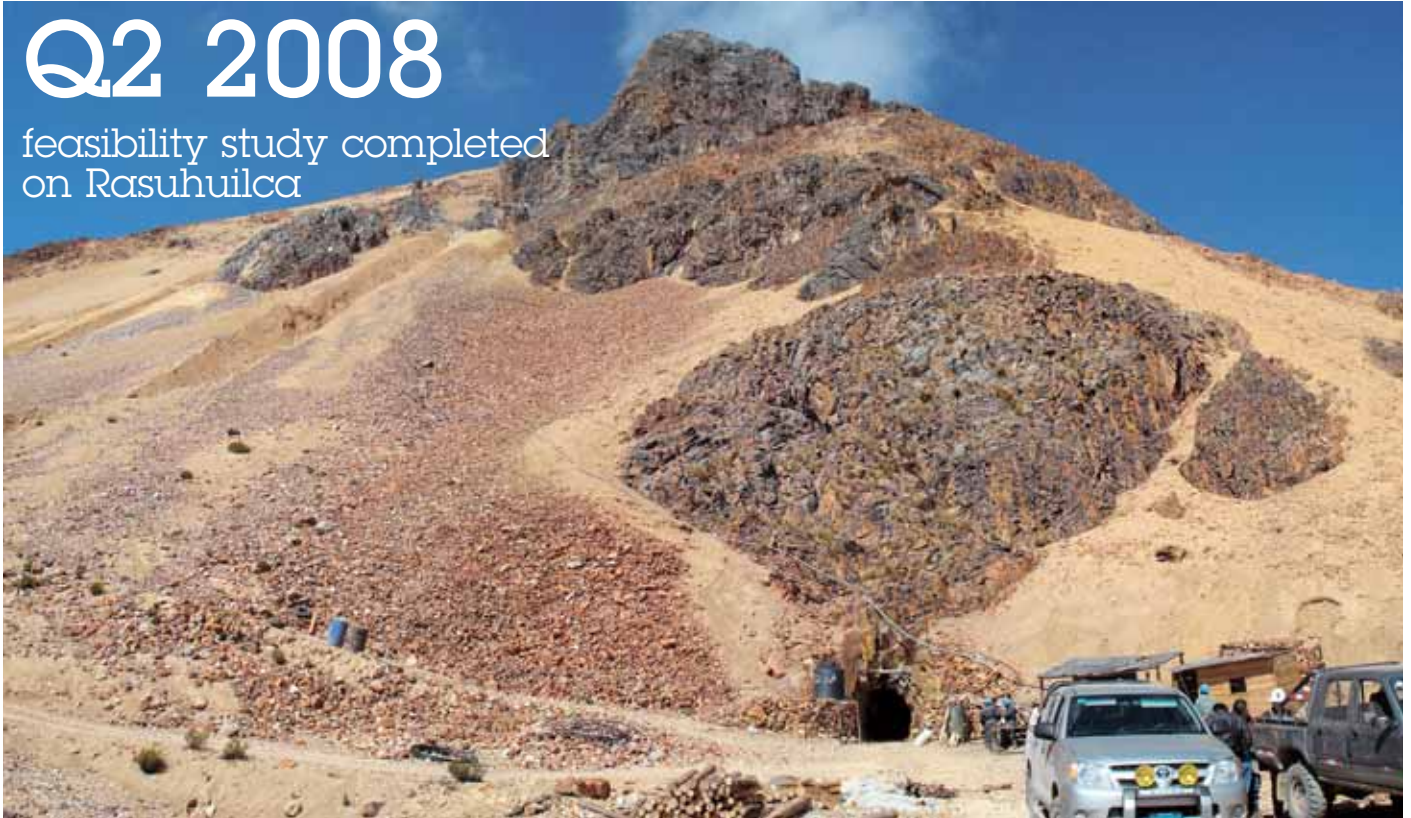
CMR has commenced discussions under confidentiality agreements with a number of major international mining companies regarding possible joint venture to fast track exploration on the property

Review of Operations continued

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Q2 2008

feasibility study completed
on Rasuhuilca



2009

commence mining
operations in Peru



Peru

During the year CMR completed the acquisition of the outstanding 50% of the three Patacancha Permits that it did not previously hold for a cost of US\$265,000. Following this acquisition the titles were formally transferred to CMR's wholly-owned subsidiary, Minera Peru Gold S.A.C.

Rasuhuilca

Development activities continued during the first quarter of 2007 with the completion of 235.1m of vertical and lateral underground development to provide vertical contiguity of sample data and also as primary stope development.

Following completion of this underground development and return of assay values from this and the pre-existing workings it has been possible to develop a block model and to estimate the Measured, Indicated and Inferred Resource to JORC Standards. The overall Rasuhuilca main and west zones contain 321,100 tonnes at 2.15g/t gold, 185.2g/t silver (252g/t silver equivalent) at a 75g/t silver equivalent cutoff. Additional potential to expand these resources exists to the west within the Rasuhuilca north-west and Rasuhuilca south areas around the 4941m Level.

Within this Resource a proven and probable reserve (JORC Standard) of 168,700 tonnes at 3.05g/t gold, 216g/t silver (368g/t silver equivalent) has been defined in the mining plan for the main zone.

This mining plan envisages the blasting of 50,300 tonnes as sub-level and stope development ore and only 2,500 tonnes of waste development due to the extent of the pre-existing development.

Metallurgical testwork has indicated that the average gold recovery will be ~85% whilst the average silver recovery will be ~65%. The lower silver recovery is believed to be due to certain soluble silver minerals not being recoverable via cyanidation and Merrill-Crowe process fixation.

Notwithstanding this the average recoverable value per tonne is estimated to be ~US\$155 per tonne (at current metal prices) with a total cost of mining and processing (inclusive of capital costs) being ~US\$41.90 per tonne of ore milled over the life of mine. On this basis the average total production cost of silver is estimated to be ~ US\$4.89/oz.

CMR expects to complete the feasibility study on Rasuhuilca in 2008 and has already commenced procedures to acquire the requisite permits from the Peruvian central and regional government departments in order to initiate mine operations in 2009.

Patacancha Area

The Patacancha Permits cover a total area of around 1,800 hectares and, in addition to Rasuhuilca, contain a number of already identified prospects with excellent potential. CMR is presently negotiating with a number of companies who have expressed interest in exploring the permits for the potential to host bulk tonnage gold and gold-copper mineralization.

New Projects

During the year CMR was offered several small gold mining projects in the vicinity of Patacancha and elsewhere in Peru. Thus far none of these have been pursued as none were believed to have production potential. CMR will continue to examine any opportunities that present themselves to the Company.

Rasuhuilca

The overall Rasuhuilca main and west zones contain 321,100 tonnes at 2.15g/t gold, 185.2g/t silver (252g/t silver equivalent) at a 75g/t silver equivalent cutoff.

Within this Resource a proven and probable reserve (JORC Standard) of 168,700 tonnes at 3.05g/t gold, 216g/t silver (368g/t silver equivalent) has been defined in the mining plan for the main zone.

Review of Operations continued

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drilling at Tashlaka Hill
Bulgaria



the core storage facility at Ivailovgrad
Bulgaria



Bulgaria

During the year CMR completed a joint venture agreement in Bulgaria with a subsidiary of the Electrum Global Gold Group. This earn-in joint venture agreement gives the option to Electrum to earn up to an 80% interest in a number of exploration permits and application presently held in Bulgaria by expending US\$2.2 million within five years and making an initial investment of £50,000 for the acquisition of 833,333 Ordinary shares in CMR.

Electrum Global Gold Group is a privately-held gold exploration company with one of the largest and most diversified exploration portfolios in the world. Electrum holds interests in over 70 projects located in the western United States, Africa, South America, Asia, and now, Eastern Europe. Its management services company, Electrum USA Limited, is headquartered in Denver, Colorado.

During the year Bulgaria became a full EU member and the government has made a successful step forward to make the environmental, mining and concession legislation of the country EU compliant. Such work has caused some delays in the processing and granting of new exploration permits in country but CMR is now optimistic that all new pending applications for gold and uranium will be issued in 2008.

Dobroselets

Exploration activities accelerated in the last quarter of 2007 on the Dobroselets permit. This area includes a historically evaluated uranium deposit containing ~1.5 million lbs of U308 and also the Chaira gold deposit, containing 450,000 ozs of gold. The Chaira mineralization comprises complex multi-directional sheeted veins of quartz and pyrite cutting structural zones within a Cretaceous grano-dioritic intrusion with extensive and widespread alteration. The scale of alteration and mineralization suggests the presence of a major intrusion-related gold mineralizing system that will require extensive evaluation but has excellent potential to host and economic gold deposit.

The first drilling campaign at Dobroselets of 2,450m commenced in early December 2007, and was planned for ~1,200 metres of verification diamond drilling in Chaira and ~1,250 metres on the Mogilite area, which is the shallow, near surface extension of the Chaira mineralization.

Rozino

CMR recently completed a scoping study evaluating the Tashlaka Hill gold resource in readiness for application to the Bulgarian Government to register a "Commercial Discovery" and subsequently to apply for a "Mining Concession".

Tashlaka Hill is a low-sulphidation sediment-hosted deposit containing over 285,000 ozs of gold. At this stage of work the Company is legally entitled to an extension for one-year to enable the completion of the financial, social and environmental analysis for a mining development. The company is also entitled to complete additional verification field work and in-fill drilling, which might be required to enable the completion of the subsequent concession application.

CMR believes that its new joint venture partner will bring a wealth of experience with them as well as substantial financial strength. Such contribution will be of significant help in accelerating the overall exploration programme in country and lead the joint venture Company to the next stage of becoming a gold miner in Bulgaria.

Uranium

During the year CMR identified and prepared seven applications for new exploration permits which were lodged with the Government of Bulgaria. These areas cover both existing known uranium resources and also have excellent potential to host presently undiscovered uranium mineralization. Delays by the Ministry of Environment (the relevant licensing authority) during 2007, which have impacted on most companies throughout the natural resources sector, are expected to ameliorate during 2008 and the expectation is that the permits will be issued as soon as possible.

Review of Operations continued

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Spain

CMR wholly owns two projects in the Iberian Pyrite Belt in south-western Spain, a region world-renowned for the presence of numerous 10-100Mt base metal sulphide deposits.

Lomero-Poyatos

This comprises a polymetallic volcanic hosted massive-sulphide deposit formerly mined for production of sulphuric acid, and is estimated to contain significant quantities of both precious and base metals. CMR has conducted extensive exploration in the 326 hectares licensed, including 10,082 metres of drilling, and an independent Scoping Study was completed in 2005, resulting in Indicated Resources of:

Tonnes	Gold g/t	Silver g/t	Copper %	Zinc %	Lead %	Notes
3,710,000	3.26	27.8	0.87	1.57	1.16	1.5g/t gold cut-off

At the time, the outcome of the Scoping Study indicated that the project was not deemed to be sufficiently economically viable to repay the large capital cost of acquiring and re-commissioning a nearby processing plant. However, since then, metal prices have improved considerably and CMR has also established alternative processing options at significantly lower cost than before, such that the mine is now estimated by the Company to be economically viable.

Masa Valverde

This project includes two permits totalling 3,482 hectares that host, among others, the Masa Valverde deposit, the largest body of unmined massive-sulphide in the Iberian Pyrite Belt, comprising both polymetallic massive sulphides and cupriferous stockwork.

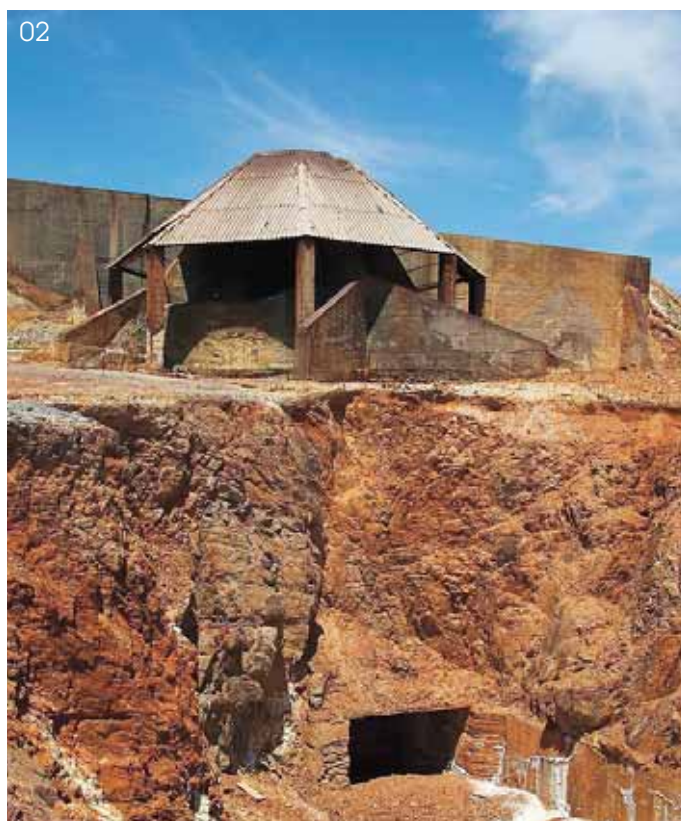
Historic drilling has intersected up to 180m of massive sulphide and up to 111m of stockwork mineralization, resulting in the following Inferred Resources:

Tonnes	Gold g/t	Silver g/t	Copper %	Zinc %	Lead %	Notes
119,950,000	0.86	41.9	0.57	4.30	1.28	3% zinc cut-off
79,950,000	0.43	22.4	0.76	0.38	0.5	0.5% copper cut-off

There is significant potential for a high-grade zinc/lead deposit to be defined within the massive sulphides. Potential also exists for the upgrading and extension of the copper stockwork mineralization. The mineralization is open to the west, with one intersection of 89m of massive sulphides.

A number of geophysical anomalies in the project area remain untested.

CMR is seeking to obtain additional finance the development of both Lomero-Poyatos and Masa Valverde.



- 01 Lomero Poyatos
- 3.7mt at 3.26g/t gold; 0.87% copper and 1.57% zinc
- 02 Masa Valverde
- 119.9mt at 0.57% copper and 4.30% zinc
 - 79.9mt at 0.76% copper and 0.38% zinc

Board of Directors

An experienced and committed management team.

Neil Maclachlan

Non-Executive Chairman

has over 28 years of investment banking experience in Europe, south-west Asia and Australia, principally with HSBC Holdings and Svenska Handelsbanken. He became Executive Vice President (Asia) of Barrick Gold Corporation. Between 1997 and 2004, he established a corporate consultancy service focused on smaller companies in the resources sector. Subsequently, Mr Maclachlan became a non-executive director of Golden Prospect plc and executive director of Ambrian Partners Limited.

Colin Andrew B.Sc., ARSM, FGS, MIMMM, C.Eng, **Managing Director**

has over 25 years of worldwide experience in the mining industry. He was responsible for the redevelopment of the Chelopech copper-gold mine and the discovery of the Ada Tepe gold deposit in Bulgaria. He set up CMR in Spain and Bulgaria. Mr Andrew also led Ormonde Mining plc with gold exploration projects in Spain and Morocco.

Michael Burton

Finance Director

joined CMR in 1995 and has over 30 years of international experience in accountancy, systems and finance with corporations including Abbey National, Xerox, Aventis, GlaxoSmithKline, Norwich Union and Barclays Bank. During the 1980s, Mr Burton worked in the USA specializing in UK and US GAAP compliance. In the resources sector he has worked for Arco, Shell, Hereaus and British Petroleum.

Nevyanka Mateeva M.Sc. (Eng), MBA, **Regional Manager, Non-Executive Director**

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

Report of the Directors

The directors present their report together with financial statements for the year ended 31 December 2007.

Principal activities

The group is principally engaged in directing investment into exploration and exploitation of natural resources.

Business review

There was a loss for the year amounting to £646,399 (2006: loss of £797,636). A full review of the business has been undertaken and is presented within the Operations Report on pages 1 to 15.

Key performance indicators

Financial - the directors regularly monitor available cash flow to meet exploration expenditure activity.
Non-financial - the directors monitor the technical results of the exploration and environmental impact of operations.

Dividend

The directors do not recommend the payment of a dividend.

Capital Structure

As at the date of this report 291,115,704 Ordinary shares of 1p were in issue and are fully paid up and are quoted on the AIM market of the London Stock Exchange. The rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Company's directors are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK or in writing to 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 10 March 2008 the directors were given authority to issue 175,110,600 new shares (which represented an increase of 64.59% over 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 £673,000 as set out in the notice of that meeting which is available on 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 £1,551,016. The Board is seeking to renew these authorities at the Annual General Meeting.

Directors and their Interests

In accordance with the Articles of Association, Nevyanka Mateeva and Neil MacLachlan, representing the required one-third of the directors, will retire by rotation at the Annual General Meeting.

The directors in office as at the end of the year their shareholdings were as follows:

Holder	Ordinary Shares		Share Options	
	2006	2007	2006	2007
Colin Andrew *	3,125,000	3,125,000	450,000	450,000
Michael Burton **	567,308	567,308	500,000	500,000
Nevyanka Mateeva ***	-	-	-	-
Neil MacLachlan ****	-	500,000	-	-

Peter Bolt resigned as a director of the Company on 31 August 2007.

* Colin Andrew was granted a further 6,000,000 share options on 2 April 2008.

** Michael Burton was granted a further 5,500,000 share options on 2 April 2008.

*** Nevyanka Mateeva was granted 2,000,000 share options on 2 April 2008.

**** Neil MacLachlan was granted 3,000,000 share options on 2 April 2008.

The terms of the options are disclosed in note 12a to the financial statements.

Substantial shareholders

As at 21 July 2008 the directors had received notification of the following interests in 3% or more of the voting rights of the Company:

Holder	Number of Shares	% of Class
Barclays Plc (on behalf Gerrard Investment Management Limited)	23,528,351	8.09%
Allianz SE	20,000,000	6.87%
RAB Capital Plc (on behalf of Credit Suisse Nominees UK Limited)	18,946,783	6.51%

Directors' and Officers' Liability

During the year, the Company has purchased insurance cover on behalf of the directors indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

Change of Control

All of the Company's share options contain provisions relating to the change of control. Outstanding options and awards would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time.

There are no other significant contracts in place that would take effect, alter or terminate on the change of control of the Company.

Related Party Transactions

The related party transactions that took place during the year are detailed in note 25 of the accounts on page 40.

Financial instruments

The use of financial instruments by the Company and its subsidiary undertakings are disclosed in note 19 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.

Post balance sheet events

Post balance sheet events are disclosed in note 26 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 following reasons:

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.

The Company is currently in the process of raising approximately £400,000 via a private share placing with an institution and expects to receive the funds within four weeks from the date of signing these accounts.

Management expects that there will be sufficient funding to meet their needs of the Company on the grounds of strict cost controls already in place and the ability of its corporate finance brokers and advisors to raise additional capital as required.

International Financial Reporting Standards ("IFRS")

The group has transitioned to International Financial Reporting Standards ("IFRS") during 2007. Implementation required restatement of the 31 December 2005 and 31 December 2006 balance sheets and restatement of the income statement for the year ended 31 December 2006. The impact of transitioning to IFRS has been disclosed in note 27.

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.

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 19.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 adopted to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) for the parent company's own financial statements and International Financial Reporting Standards as adopted by the European Union (IFRSs) for the consolidated financial statements. The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

Grant Thornton UK LLP offers itself for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

CREST

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

Annual General Meeting

The Annual General Meeting will be held at 11.00 am on Monday 4 September 2008 at 10 Fenchurch Avenue, London, EC3M 5BN. The notice of this meeting can be found in the separate circular sent to shareholders accompanying the annual report and accounts. Shareholders would have received a separate circular accompanying the annual report and accounts containing explanatory information and the notice of the AGM.

The Company is seeking the approval of shareholders for new Articles of Association to reflect the changes introduced by the Companies Act 2006. The proposed changes are detailed in the appendix of the circular. It is expected that further changes will need to be made to take into consideration the final changes introduced by Companies Act 2006 due for implementation in October 2009. The new Articles of Association can be obtained and viewed upon written application to the Company Secretary at the Company's registered office.

Capita Company Secretarial Services Limited
Secretary

Corporate Governance Statement

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Introduction

The Board supports high standards of corporate governance. The Company has followed the principles of corporate governance set out in the QCA (Quoted Companies Alliance) guidelines for an AIM Company, as far as is practicable and commensurate with the size, stage of development and financial status of the group, and compliance is under continuous review. The group's system of corporate governance is summarised below.

Board of Directors

The Board currently comprises two executive directors and two non-executive directors. The Board meets a minimum of four times a year, but, at which it discusses issues concerning the strategy and future direction of the group. All of the directors bring judgement to bear on issues affecting the group and all have full and timely access to information necessary to enable them to discharge their duties. Directors are subject to re-election at the Annual General Meeting following their date of appointment and every three years thereafter.

Remuneration Committee

The members of the Remuneration Committee currently comprise the two non-executive directors, Mr N Maclachlan and Mrs N Mateeva. Mr Maclachlan is the chairman of the committee. The committee determines the terms and conditions, including the annual remuneration, of the executive directors and reviews these matters for other key executives, including their participation in any long term incentive schemes.

Nominations Committee

Given the current size of the group it is not considered necessary to appoint a Nominations Committee. The Board annually reviews its size and structure, and is responsible for succession planning.

Audit Committee

The members of the Audit Committee currently comprise the two non-executive directors, Mr N Maclachlan and Mrs N Mateeva. Mr Maclachlan is the chairman of the committee. The committee has been set up to deal with the appointment, terms of engagement and fees of the external auditors; to consider the scope of the audit; to review financial statements and reports, including any changes to accounting policies or practices; to keep under review the group's system of risk management and internal controls and to ensure compliance with applicable laws and regulations.

Investor Relations

The group maintains regular contact with shareholders through publications including the annual and interim reports, press releases and the group's website, (www.cambmin.co.uk). The directors are responsive to shareholder enquiries, whose views are communicated to the entire Board.

Electronic Publication

The financial reports are published on www.cambmin.co.uk, which is maintained by the Company. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their or other jurisdictions.

Pages 10 to 15, inclusive, of this Annual Report comprise a Report of the Directors that has been drawn up and presented in accordance with English Company law and the liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

In particular, directors would be liable to the Company (but not to any third party) if the Report of the Directors contains errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Financial Statements

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Report of the Independent Auditors

To the members of Cambridge Mineral Resources

We have audited the Group financial statements (the 'financial statements') of Cambridge Mineral Resources plc for the year ended 31 December 2007 which comprise the principal accounting policies, the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the consolidated cash flow statement and notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company financial statements of Cambridge Mineral Resources plc for the year ended 31 December 2007. That audit report is modified by the inclusion of an emphasis of matter in respect of going concern.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement and Operations Report.

In addition we report to you if, in our opinion, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Directors, the Chairman's Statement and the Operations Report. We consider the implications for our report if we become aware of any apparent

mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its loss for the year then ended.
- the group financial statements have been properly prepared in accordance with the Companies Act 1985.
- the information given in the Report of the Directors is consistent with the financial statements.

Emphasis of matter - Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in the significant accounting policies to the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of £649,405 during the year ended 31 December 2007 and, at that date, the group's current liabilities exceeded its current assets by £434,740. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.



Grant Thornton

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
London

21 July 2008

Principal Accounting Policies

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Basis of preparation

The Company is a public limited Company incorporated in the United Kingdom. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in pounds sterling. The results for the year ended 31 December 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The measurement bases and the principal accounting policies are described below.

The policies have changed from the previous year when the financial statements were prepared under applicable United Kingdom Generally Accepted Accounting Principles (UK GAAP). The comparative information has been restated in accordance with IFRS. The changes to accounting policies are explained in Note 27 together with reconciliation of opening balances and the equity position of the group. The date of transition to IFRS was 1 January 2006.

The Group has taken advantage of certain exemptions available under IFRS 1 for First-time adoption of International Financial Reporting Standards. The exemptions used are explained under the respective accounting policy and in Note 27.

Goodwill

Goodwill representing the excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is capitalised and reviewed annually for impairment by the directors. Goodwill is carried at cost less accumulated impairment losses. The excess of the fair value of the acquiree's identifiable net assets over the cost of the acquisition is recognised immediately after acquisition in the income statement.

Goodwill written off to reserves prior to date of transition to IFRS remains in reserves. There is no re-instatement of goodwill that was amortised prior to transition to IFRS. Goodwill previously written off to reserves is not written back to the income statement on subsequent disposal.

Going concern

These consolidated financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons:

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.

The directors have prepared cash flow information for 12 months from the date of these financial statements. 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.

On 25 January 2008 the Company announced it had secured a pre-payment finance facility of US\$15,000,000 in respect of certain of its gold mine projects in Colombia. Under the terms of the facility the Company has to deliver gold in repayment for the finance.

On 19 March 2008 the Company announced that it had raised £400,000, before expenses, through a placing of 20 million new ordinary shares at 2p each with Allianz Equity Investments Limited.

The Company anticipates seeking to raise a further £400,000 post the signature of these financial statements.

Management expects that there will be sufficient funding to meet their needs on the basis of the funding that has been raised, or is planned to be raised.

Basis of consolidation

The group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 December 2007. Subsidiaries are entities over which the group has the power to control the financial and operating policies so as to obtain benefits from its activities. The group obtains and exercises control through voting rights.

Unrealised gains on transactions between the group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the group accounting policies.

Principal Accounting Policies

continued

Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. For the purposes of segment reporting the Group does not have separate business reporting segments.

Issued International Financial Reporting Standards ("IFRS's") and interpretations ("IFRICs") that are not yet effective.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but are not yet effective:

- IAS 1 Presentation of financial statements (revised 2007) - effective 1 January 2009
- IAS 23 Borrowing Costs (revised 2007) - effective 1 January 2009
- IAS 27 (revised) Consolidated and separate financial statements – effective 1 January 2009. The standard requires the effects of all increases or decreases in the ownership of subsidiaries to be recorded in equity if there is no change in control. They will therefore no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost - effective 1 July 2009
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation - effective 1 January 2009
- IFRS 2 (Amendment) Share based payment – Vesting conditions and cancellations - effective 1 January 2009
- IFRS 3 (Amendment) Business combinations - effective 1 January 2009
- IFRS 8 Operating Segments - effective 1 January 2009. The segmental information reported under the standard is that which the chief operating decision maker uses internally for evaluating the performance of operating segments and allocating resources to those segments.
- IFRIC 11 (IFRS 2) Group and Treasury share transactions - effective 1 March 2007
- IFRIC 12 Service concession arrangements - effective 1 January 2008
- IFRIC 13 Customer Loyalty Programmes - effective 1 July 2008

- IFRIC 14 (IAS 19) The limit on a defined benefit asset, minimum funding requirements and their interaction - effective 1 January 2008
- IFRIC 15 Agreements for the Construction of Real Estate (effective 1 January 2009)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the group. These Standards and Interpretations will however have significant impact on the presentation of the accounts. The group does not intend to apply any of these pronouncements early.

Critical accounting estimates and judgements

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.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The group has evaluated the estimates and assumptions that have been made in relation to the carrying amounts of assets and liabilities in these financial statements.

The directors have prepared cash flow information for the twelve months from the date of signing these financial statements. 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. The directors have used assumptions based on expected cash inflows and outflows based on historical performance and expected operations for the year.

The group has determined, based on values prepared by external parties and the performance of like companies operating in similar regions that the carrying value of the exploration costs is not impaired.

Goodwill and exploration interests held by the group in relation to the Spanish operations have been assessed in the following manner. In order to assess the carrying value for the impairment, the group reviewed other projects operating in the same area of operation, the Iberian Pyrite Belt. This review has shown that neighbouring projects have acquired significant capital during the year to move the projects into production during 2008. It has been determined that the ore bodies in the CMR projects are of similar size and characteristic to the neighbouring projects that are moving into production.

Included within exploration expenditure is £3.783m in respect of our Spanish interest. Whilst the Company does not currently have the necessary financial resources to commercially exploit these operations, the director's believe

Principal Accounting Policies

continued

there is no impairment required as these assets are capable of realisation at a value in excess of their carrying value. The directors continue to seek ways of realising this value.

Valuation data performed by the Canadian Mining Institute (CMI) was also used as evidence that the carrying value of the goodwill is not impaired. The CMI data shows that in-situ holdings in the area are valued at a discount of up to 98%. This report showed a minimum value for Lomero-Poyatos of US\$10m. The group's average spend on Lomero-Poyatos is US\$7.5m.

Information about the estimates and judgements made by the group are contained in the accounting policies and/or the notes to the financial statements, and the key areas are summarised below:

- Classification of mining and exploration interests – page 23
- Impairment review of assets treated as exploration interests – page 24
- Classification of financial assets – page 25

Explanation of transition to IFRS

As stated in the Basis of Preparation, these are the group's first annual consolidated financial statements prepared in accordance with IFRS. IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These financial statements have been prepared on the basis of taking the following exemptions:

- Cumulative translation differences on foreign operations are deemed to be £nil at 1 January 2006. Any gains and losses recognised in the consolidated income statement on subsequent disposal of foreign operations will exclude translation differences arising prior to the transition date.
- The entity has elected not to apply IAS 21 "The Effects of Changes in Foreign Exchange Rates" retrospectively to goodwill and fair value adjustments arising on business combinations before the Group's date of transition to IFRS. Such goodwill and fair value adjustments are not treated as foreign currency assets and so are not retranslated at each reporting date.
- IFRS 3 "Business Combinations" is applied from 1 January 2006 and not retrospectively to earlier business combinations. Existing Goodwill has been frozen as at 1 January 2006, tested for impairment and not subsequently amortised.

Equity settled share based payments

All share-based payment arrangements granted after 7 November 2002 that have not fully vested as at the 1 January 2006 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee.

This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets). All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to accumulated losses.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital and where appropriate share premium.

Exploration expenditure

Exploration expenditure including related overheads on the acquisition, exploration and evaluation of interests in licences not yet transferred to a cost pool is capitalised under intangible assets. Cost pools are established on the basis of geographic area. When it is determined that such costs will be recouped through successful development and exploitation or alternatively by sale of the interest, expenditure will be transferred to property plant and equipment and depreciated over the expected productive life of the asset. Whenever a project is considered no longer viable the associated exploration expenditure is written off to the income statement.

Amounts recognised as assets in relation to exploration expenditure are treated as intangible assets and are subjected to annual impairment tests. These assets are deemed to have an indefinite life. The assets are subject to valuation review and impairment review annually. Impairment amounts are taken directly to the income statement. By their nature, impairment reviews include significant estimates regarding future financial resources and commercial and technical feasibility to enable the successful realisation of the exploration expenditure. Other estimates include assessing future metal prices, future foreign exchange rates and the choice of appropriate discount rates.

Principal Accounting Policies

continued

Property, plant and equipment

Property, plant and equipment are stated at cost net of depreciation and any provision for impairment.

Depreciation is provided on a straight line basis at rates calculated to write off the cost of fixed property, plant and equipment to their estimated residual value over their estimated useful lives at the following rates:

Office equipment:	5 years
Motor vehicles	5 years

Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the assets' or cash-generating units' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash generating units to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist.

Foreign currency

The functional currency of the South American subsidiaries is United States dollars being the currency by which those companies are influenced with regard to labour, material and other costs whilst operating in Colombia and in Peru. The functional currency of the European subsidiaries is Euros for Spain and BGN for Bulgaria being the currency prevalent in that region. The ultimate parent Company, Cambridge Mineral Resources Plc is a UK listed Company which raises funds for Head Office expenses in pounds sterling and for mining operations in United States dollars.

Consequently, for reporting purposes, the group's presentational currency is British pounds (GBP). Foreign currency transactions by group companies are recorded in

their functional currencies at the exchange rate ruling at the balance sheet date. Any realised or unrealised exchange adjustments have been charged or credited to income. On consolidation the accounts overseas subsidiary undertakings are translated into the presentational currency of the group at the rate of exchange ruling at the balance sheet date and income statement amounts are translated at the average rate for the period. The exchange difference arising on the retranslation of opening net assets is classified within equity and is taken directly to the translation reserve. Note that the group has adopted the IFRS 1 exception and has assumed a zero opening balance for this reserve. All other translation differences are taken to the income statement.

Associates

Associates are all entities over which the group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's share of associate's post acquisition profits or losses are recognised in the income statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate 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 the associate 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.

Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible

Principal Accounting Policies

continued

temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Financial assets

Financial assets are divided into the following categories:

- loans and receivables;
- available-for-sale financial assets.

Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised when the group becomes a party to the contractual provisions of the instrument. Financial assets are recognised at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement. The group's other receivables fall into this category of financial instruments.

Available-for-sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured subsequently at fair value, with changes in value recognised in equity, through the statement of recognised income and expense. Gains and losses arising from investments classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired.

In the case of impairment of available-for-sale assets, any loss previously recognised in equity is transferred to the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

An assessment for impairment is undertaken at least at each balance sheet date.

The group has no financial assets at fair value through profit or loss or held to maturity investments.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. These are classified as loans and receivables from a financial asset perspective.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the group becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded initially at fair value, net of direct issue costs.

The financial liabilities are subsequently recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The group has no financial liabilities at fair value through profit or loss.

Consolidated Income Statement

For the year ended 31 December 2007

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	Note	2007 £	2006 £
Other income	2	7,005	27,193
Administrative costs	2	(774,467)	(686,561)
Share of loss from joint ventures		-	(635)
Impairment of exploration costs	6	(413,020)	(137,633)
Forgiveness of loan	2	459,477	-
Disposal of available for sale investment	2	(22,400)	-
Excess of acquirier's interest in the net fair value of acquiree's identifiable net assets over cost	2	94,000	-
Loss before tax		(649,405)	(797,636)
Tax	4	-	-
Loss after tax		(649,405)	(797,636)
Attributable to:			
Equity holders of the parent		(646,399)	(797,636)
Minority interest		(3,006)	-
		(649,405)	(797,636)
Loss per share:			
Basic loss per share	5	(0.24p)	(0.49p)
Diluted loss per share		(0.24p)	(0.49p)

All transactions arise from continuing operations.

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2007

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	Note	2007 £	2006 £
Assets			
Non-current assets			
Exploration expenditure	6	8,342,698	6,247,179
Property, plant and equipment	7	172,626	92,425
Goodwill	6	1,191,706	1,191,706
Available for sale investments	8	-	80,000
		9,707,030	7,611,310
Current assets			
Cash and cash equivalents	9	40,862	621,392
Trade and other receivables	10	456,393	199,782
		497,255	821,174
Total assets		10,204,285	8,432,484
Liabilities			
Non-Current Liabilities			
Borrowings	11	(86,303)	-
Current liabilities			
Trade and other payables	11	(931,995)	(555,132)
Total liabilities		(1,018,298)	(555,132)
Net assets		9,185,987	7,887,352
Equity			
Equity attributable to equity holders of the parent			
Share capital	12	2,711,156	2,089,989
Share premium account	13	11,160,040	10,456,807
Revaluation reserve	15	-	48,500
Merger reserve	14	2,116,435	2,116,435
Other reserves		-	1,373
Translation reserve	17	618,416	(64,345)
Accumulated loss	16	(7,417,806)	(6,771,407)
Equity attributable to equity holders of the parent		9,188,241	7,887,352
Minority interest		(2,254)	-
Total equity		9,185,987	7,887,352

The financial statements were approved by the Board of Directors on 21 July 2008.

Michael Burton
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 £	2006 £
Net cash outflow from operating activities	18	(380,089)	(892,837)
Investing Activities			
Exploration costs		(1,578,955)	(1,653,962)
Purchase of property, plant and equipment		(87,952)	(74,752)
Proceeds from sale of available for sale investment		57,600	-
Interest received		4,973	26,558
Acquisition of investments		-	(28,965)
Net cash used in investing activities		(1,604,334)	(1,731,121)
Financing activities			
Proceeds from issue of share capital		1,411,500	1,997,750
Share issue costs		(87,100)	(67,606)
Proceeds from long term borrowings		79,493	-
Net cash from financing activities		1,403,893	1,930,144
Decrease in cash		(580,530)	(693,814)
Cash at the beginning of the period		621,392	1,315,206
Cash and Cash Equivalents at the end of the period		40,862	621,392

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of recognised Income & Expense

For the year ended 31 December 2007

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	2007 £	2006 £
Exchange differences on translation of foreign operations	668,211	(64,345)
Transfers:		
Transferred to profit and loss on sale of available for sale investment	48,500	-
Net income recognised directly in equity	716,711	(64,345)
Loss for the year	(649,405)	(797,636)
Total recognised income and expense for the period	(67,306)	(861,981)
Attributable to:		
Equity holders of parent	(69,560)	(861,981)
Minority Interest	2,254	-

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

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1 Segmental analysis

There is only one business operating segment for Cambridge Mineral Resources plc.

Cambridge Mineral Resources plc's profits and losses before taxation and its geographic allocation of net assets may be summarised as follows:

	Profits/(Loss)		Net assets	
	2007	2006	2007	2006
	£	£	£	£
United Kingdom	(791,357)	(653,629)	7,972,218	6,775,124
Spain	(49,397)	(144,874)	430,132	483,071
Peru	(3,382)	(1,966)	(7,416)	(1,966)
Panama	24,273	(2,069)	41,964	(2,069)
Colombia	18,421	4,922	(2,952)	4,912
Bulgaria	155,043	-	752,041	628,280
	(646,399)	(797,636)	9,185,987	7,887,352

Exploration costs per geographic segment are shown below:

	Exploration Costs	
	£	£
United Kingdom	-	-
Spain	3,783,661	3,324,261
Peru	644,420	401,698
Panama	867,750	590,760
Colombia	1,102,687	498,749
Bulgaria	1,944,180	1,431,711
	8,342,698	6,247,179

2 Loss before taxation

The loss on ordinary activities before taxation is stated after charging/(crediting):

	2007	2006
	£	£
Finance income	4,974	27,193
Fees payable to the Company's auditor for the audit of the Company annual accounts	35,000	15,000
- Tax	3,500	2,100
- Advice on conversion to IFRS	10,000	-
- Other non audit services	10,600	2,000
- Audit of foreign subsidiaries	10,140	8,239
Depreciation of property, plant and equipment	38,566	39,512
Impairment of intangible assets	413,020	24,034
Expired contracts	-	113,599
Amortisation	2,254	1,717
Operating lease rentals land and buildings	7,514	2,747
Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost	94,000	-
Foreign exchange (gain)/loss	(17,501)	64,345
Loss on disposal of available for sale financial asset	(22,400)	-
Forgiveness of loan	(459,477)	-

Fees paid to Grant Thornton UK LLP and its associates for non-audit services to the Company itself are not disclosed in the individual account of Cambridge Mineral Resources Plc because the Company's consolidated accounts are required to disclose such fees on a consolidated basis.

A liability payable by Hereward Ventures was forgiven as a result of the withdrawal by a previous joint venture partner, giving rise to a credit of £459,477. On recognition of the withdrawal of the previous partner and CMR's increased interest rising to 100% a credit of £94,000 to the income statement resulted which represents the excess of fair value of the acquiree's identifiable assets liabilities and contingent liabilities over cost.

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3 Directors and employees

Staff costs excluding directors during the year were as follows:

	2007 £	2006 £
Wages and salaries	148,310	109,579
Social security costs	28,465	27,293
	176,775	136,872

The average number of employees of the company during the year was 9 (2006: 7).

Remuneration in respect of key management personnel directors was as follows:

	2007 £	2006 £
Emoluments:		
- wages and salaries	112,500	94,354
- compensation for loss of office	-	35,319
- fees	181,774	155,324
	294,274	284,997

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

	2007 £	2006 £
Emoluments	70,500	70,500

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

4 Tax on profit on ordinary activities

The tax charge is based on the loss/profit for the year and represents:

	2007 £	2006 £
Loss on ordinary activities for the year	(649,405)	(797,636)
United Kingdom corporation tax at 30% (2006: 30%)	(194,822)	(239,291)
UK expenses not deductible for tax purposes	13,919	-
UK tax losses not relieved	223,489	3,476
Foreign profits not taxable	(102,493)	103,273
Adjustments on consolidation not taxable	59,907	132,542
Tax Charge	-	-

The following deferred tax asset has not been recognised in relation to the UK tax losses:

Future UK tax rate at 28.00%	
Fixed asset timing differences	(6,139)
Losses and other deductions	(1,873,422)
	(1,879,561)

Notes to the Financial Statements

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5 Loss per share

The loss per share is based on the loss for the year divided by the weighted average number of shares in issue during the year.

	2007 £	2006 £
Loss after tax (£)	(646,399)	(797,636)
Weighted average number of shares	221,429,860	163,172,463
Basic loss per share (pence)	(0.24p)	(0.49p)
Diluted loss per share (pence)	(0.24p)	(0.49p)

For the current period, as diluted earnings would be increased when taking the warrants and share options into account, these are deemed to be antidilutive and are ignored in the calculation of diluted earnings per share. The instruments that have been excluded are shown below. Dilutive earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: warrants and share options. A reconciliation between the denominator used in the calculation of basic loss per share and diluted loss per share is shown below:

Weighted average number of shares:	221,429,860	163,172,463
Warrants	46,254,155	17,738,630
Options	2,081,370	1,450,000
Total Fully Diluted Shares	269,765,385	182,361,093

6 Intangible assets

	Note	Goodwill £	Exploration expenditure £	Total £
Gross carrying amount		1,191,706	4,081,640	5,273,346
Accumulated amortisation and impairment		-	(7,709)	(7,709)
Carrying amount at 1 January 2006		1,191,706	4,073,931	5,265,637
Gross carrying amount		1,191,706	6,256,449	7,448,155
Accumulated amortisation and impairment		-	(9,270)	(9,270)
At 31 December 2007		1,191,706	6,247,179	7,438,885
Gross carrying amount		1,191,706	8,758,594	9,950,300
Accumulated amortisation and impairment		-	(415,896)	(415,896)
Carrying amount at 31 December 2007		1,191,706	8,342,698	9,534,404
		£	£	£
Carrying amount at 1 January 2006		1,191,706	4,073,931	5,265,637
- separately acquired/internally developed		-	2,404,320	2,404,320
Expired contracts		-	(113,599)	(113,599)
Impairment		-	(24,034)	(24,034)
Amortisation		-	(1,717)	(1,716)
Net exchange differences		-	(91,722)	(91,722)
Carrying amount at 31 December 2006		1,191,706	6,247,179	7,438,885
- separately acquire/internally developed		-	1,872,012	1,872,012
- through business combinations	24	-	185,519	185,519
Amortisation		-	(2,254)	(2,254)
Impairment		-	(413,020)	(413,020)
Net exchange differences		-	453,262	453,262
Carrying amount at 31 December 2007		1,191,706	8,342,698	9,534,404

The impairment was due to management evaluation and decision to cease exploration activities in the relevant areas and was carried out after the official termination of the contract with the relevant government authorities.

The group has determined that the carrying amount of £3,324,261 in relation to exploration activities and £1,191,706 for Goodwill in Spain is not impaired. This has been determined based on values prepared by external parties and the performance of like companies that the carrying value of the exploration costs is not impaired.

Notes to the Financial Statements

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7 Property, plant and equipment

	Note	Office equipment £	Motor vehicles £	Total £
Gross carrying amount		269,970	146,541	416,511
Accumulated depreciation and impairment		(235,740)	(118,357)	(354,097)
Carrying amount at 1 January 2006		34,230	28,184	62,414
Gross carrying amount		331,713	138,563	470,276
Accumulated depreciation and impairment		(258,168)	(119,683)	(377,851)
Carrying amount at 31 December 2006		73,545	18,880	92,425
Gross carrying amount		435,011	106,857	541,868
Accumulated depreciation and impairment		(293,561)	(75,681)	(369,242)
Carrying amount at 31 December 2007		141,450	31,176	172,626

Reconciliation of the carrying amounts shown in the consolidated financial statements

		Equipment £	Motor vehicles £	Total £
Carrying amount at 1 January 2006		34,230	28,184	62,414
- separately acquired		72,211	-	72,211
Disposals		(8,142)	(5,837)	(13,979)
Depreciation		(30,585)	(8,927)	(39,512)
Depreciation released on disposal		6,293	5,837	12,130
Net exchange differences		(462)	(377)	(839)
Carrying amount at 31 December 2006		73,545	18,880	92,425
- separately acquired		87,952	-	87,952
- through business combinations	24	12,954	24,795	37,749
Assets disposed of		(8,824)	(67,921)	(76,745)
Depreciation		(27,408)	(11,158)	(38,566)
Depreciation released on disposal		-	65,068	65,068
Net exchange differences		3,231	1,512	4,743
Carrying amount at 31 December 2007		141,450	31,176	172,626

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

8 Financial assets

	Available for sale investments £
Valuation	
At 1 January 2006	50,400
Revaluations	29,600
At 31 December 2006	80,000
Disposal of financial assets	(80,000)
At 31 December 2007	-

The group held an investment in an associate Caracal Cambridge Bulgaria EAD (CCB) as at 31 December 2006. This investment was carried at a value of nil. No losses have been recognised in the Income Statement for the current period, however, had these losses been recognised they would have been, £136,195.

9 Cash and cash equivalents

	2007 £	2006 £
Bank and cash balances	40,862	285,817
Short term deposits	-	335,575
	40,862	621,392

Notes to the Financial Statements

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10 Trade and other receivables

	2007 £	2006 £
Receivable VAT	184,823	141,722
Other receivables	202,125	-
Prepayments and accrued income	69,445	58,060
Total trade and other receivables	456,393	199,782

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

11 Trade and other payables

	2007 £	2006 £
Current liabilities		
Trade and other payables	508,867	283,659
Social security and other taxes	35,461	15,066
Accruals and deferred income	387,667	256,407
	931,995	555,132

The carrying values are considered to be a reasonable approximation of fair value.

	2007 £	2006 £
Non current liabilities		
Borrowings	86,303	-

- (a) The group has one loan taken out for the purchase of capital equipment:
- (i) a loan of £86,303 is due and payable in one instalment on October 25 2010.
 - (ii) the loan carries an interest rate of 13.93%
 - (iii) the fair value of this amount is £110,347. This has been calculated using the repayment terms and the relevant interest rate.

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12 Share capital

	2007 £	2006 £
Authorised 500,000,000 ordinary shares of 1p each	5,000,000	5,000,000
Allotted, called up and fully paid 271,115,704 (2006: 208,999,038) ordinary shares of 1p each	2,711,156	2,089,989

Allotments during the year

During the year the Company allotted a total of 62,116,666 ordinary 1p shares for cash consideration of £1,411,500. The difference between the total consideration, net of expenses of £87,100, and the total nominal value has been credited to the share premium account.

(a) Share options

All the share options below were granted after 7 November 2002, with the exception of the options granted on the 1 April 2007, were all fully vested as at 1 January 2006. The Company has granted options to subscribe for ordinary 1p shares as follows:

Date granted	Period exercisable	Exercise price per share (pence)	Number of options unexercised
31 December 2001	December 2001 to 30 December 2008	20.00p	450,000
19 February 2003	19 February 2003 to 18 February 2010	10.25p	700,000
19 February 2003	19 February 2003 to 18 February 2010	14.50p	300,000
1 April 2007	1 April 2007 to 31 March 2009	3.50p	175,000
			1,625,000

The Company's share price at 31 December 2007 was 2.05p. The highest and lowest share prices during the year were 4.88p and 1.8p respectively.

During the year ended 31 December 2007 175,000 share options were issued to a Colombian employee. These share options at the date of grant had a market value of £3,500 which the directors consider to be a reasonable estimation of their fair value. The potential charge arising has not been charged to the income statement.

The Company issued warrants to subscribe in cash for 30,666,666 ordinary 1p shares as shown in the table below. The warrants are exercisable at any time between the dates shown and the date upon which a full Stock Exchange listing or a takeover becomes effective.

(b) Share warrants

The Company issued warrants to subscribe in cash for 30,666,666 ordinary 1p shares as shown in the table below. The warrants are exercisable at any time between the dates shown and the date upon which a full Stock Exchange listing or a takeover becomes effective.

Date of grant	Number of warrants	Exercise price	Exercisable from	Exercisable to
21 June 2007	8,333,333	£0.0300	21/06/2007	20/06/2008
21 June 2007	8,333,333	£0.0300	21/06/2007	20/06/2009
6 August 2007	3,000,000	£0.0300	06/08/2007	05/08/2008
6 August 2007	3,000,000	£0.0300	06/08/2007	05/08/2009
6 August 2007	2,000,000	£0.0300	06/08/2007	05/08/2008
6 August 2007	2,000,000	£0.0300	06/08/2007	05/08/2009
23 October 2007	1,000,000	£0.0300	23/10/2007	05/08/2008
23 October 2007	1,000,000	£0.0300	23/10/2007	05/08/2009
23 October 2007	2,000,000	£0.0200	23/10/2007	22/10/2010

The directors are satisfied that the warrants outstanding as at 31 December 2007 are equity in nature and therefore there is no fair value adjustment arising.

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12 Share capital continued

The following table shows the number and weighted average exercise price of all the unexercised share options and warrants at the year end:

	Number	2007 Weighted average exercise price	Number	2006 Weighted average exercise price
Outstanding at 1 January	34,150,000	3.47p	1,450,000	14.16p
Options granted during the year	175,000	3.50p	-	-
Warrants granted during the year	30,666,666	3.00p	32,700,000	3.00p
Outstanding at 31 December	64,991,666	3.24p	34,150,000	3.40p

13 Share premium account

	£
At 1 January 2006	9,165,330
Premium on allotments during the year	1,291,477
At 31 December 2006	10,456,807
Premium on allotments during the year	703,233
At 31 December 2007	11,160,040

Premium is net of share issue costs of £87,100.

14 Merger reserve

	Group £
At 1 January 2006 and 31 December 2006	2,116,435
At 31 December 2007	2,116,435

15 Revaluation reserve

	Group £
At 1 January 2006	18,900
Revaluation of investments	29,600
At 31 December 2006	48,500
Disposal of investments	(48,500)
At 31 December 2007	-

16 Accumulated loss

	£
At 1 January 2006	(6,038,116)
Transfer to translation reserve	64,345
Retained profit for the year	(797,636)
At 31 December 2006	(6,771,407)
Retained loss for the year attributable to the group	(646,399)
At 31 December 2007	(7,417,806)

17 Translation Reserve

	£
At 1 January 2006	-
Foreign exchange differences	(64,345)
Balance at 31 December 2006	(64,345)
Foreign exchange differences	668,211
Transfer	14,550
At 31 December 2007	618,416

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18 Net cash outflow from operating activities

	2007 £	2006 £
Loss before taxation	(649,405)	(797,636)
Depreciation	38,566	21,899
Amortisation	2,254	1,717
Increase in debtors	(43,364)	(55,866)
Increase in creditors	353,128	112,966
Impairment	413,020	24,034
Foreign exchange movements	1,816	(199,951)
Forgiveness of loan	(459,477)	-
Loss on disposal of property, plant and equipment	34,973	-
Excess of acquirer's interest in the net fair value of acquiree's identifiable net assets	(94,000)	-
Loss on disposal of available for sale asset	22,400	-
Net cash outflow from operating activities	(380,089)	(892,837)

19 Financial instruments

The disclosures detailed below are as required by IFRS 7 Financial Instruments: Disclosures. The Group's principal treasury objective is to provide sufficient liquidity to meet operational cash flow requirements and to allow the Group to take advantage of new growth opportunities whilst maximising shareholder value. The Group operates controlled treasury policies which are monitored by the Board to ensure that the needs of the Company are met as they evolve. The impact of the risks required to be discussed in accordance with IFRS 7 are detailed below:

Summary of financial assets and liabilities

	Loans and receivables	Total	
31 December 2007			
Assets per balance sheet			
Cash and Cash Equivalents	40,862	40,862	
Total	40,862	40,862	
	Other financial liabilities	Total	
31 December 2007			
Liabilities per balance sheet			
Borrowings	86,303	86,303	
Trade and other payables	896,534	896,534	
Total	982,837	982,837	
	Loans and receivables	Available for sale assets	Total
31 December 2006			
Assets per balance sheet			
Available for sale investment	-	80,000	80,000
Cash and Cash Equivalents	621,392	-	621,392
Total	621,392	80,000	701,392
	Other financial liabilities	Total	
31 December 2006			
Liabilities per balance sheet			
Trade and other payables		540,066	540,066
Total		540,066	540,066

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19 Financial instruments continued

Market risk

Foreign currency risk

The group does not hedge its exposure of foreign investments held in foreign currencies. The group undertakes transactions principally in sterling, euros, Peruvian soles, Colombian pesos and US dollars. While the group continually monitors its exposure to movements in currency rates, it does not utilise hedging instruments to protect against currency risk.

At 31st December 2007/2006

	31/12/2007	31/12/2006
Closing £/euro exchange rate	1.3619	1.4841
Closing £/Peruvian new soles exchange rate	6.0836	6.1144
Closing £/Colombian pesos exchange rate	4,070	4,312
Closing £/US\$ exchange rate	1.9909	1.9570
Effect on equity of 1-17% increase in rate	£2,559	£(4,507)
Effect on equity of 1-17% decrease in rate	£(13,936)	£723
Effect on loss of 1-17% increase in rate	£223	£29,780
Effect on loss of 1-17% decrease in rate	£(4,441)	£(3,148)

Sensitivity analysis of the four foreign currencies used by the group has shown the following levels of movement that can be tolerated by the group:

	Euros	Peruvian New Soles	Colombian Peso	US Dollars
Increase in rate (2007)	2%	7%	3%	4%
Decrease in rate (2007)	9%	9%	7%	2%
Increase in rate (2006)	1%	6%	17%	12%
Decrease in rate (2007)	4%	2%	2%	1%

These figures have been obtained by analysing the movement in the foreign exchange rates for the past twelve months against the average exchange rate for the period. Using this data, the maximum increase and decrease has been determined. This has then been applied to the equity and loss position of the group for the period to determine the sensitivity to foreign exchange movements. There has been no change in the assumptions and methodology used in determining the sensitivity analysis from the previous period.

Interest rate risk

The group finances its operations through the issue of equity share capital. There is one loan held, with a fixed interest rate and therefore no exposure to interest rate fluctuations. The cash and cash equivalents disclosed in note 9 were on short term deposit. These deposits are kept under regular review, with reference to future expenditure requirements to maximise interest receivable. The results of the group are not significantly affected by the level of interest income.

Maturity Analysis

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. Amounts payable within one year are not discounted as the impact of discounting is not significant. Amounts payable greater than one year has been discounted at the relevant interest rate.

At 31 December 2007	Less than 1 Year	Between 1 and 2 years
Borrowings	-	110,347
Trade and other payables	931,995	-
At 31 December 2007	Less than 1 Year	Between 1 and 2 years
Borrowings	-	175,250
Trade and other payables	931,995	-

Liquidity risk

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 is raised as and when required. The group's policy continues to be to ensure that it has adequate liquidity by careful management of its working capital.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The group is exposed to credit risk from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The group does not have trade receivables and does not hold collateral as security. Credit risk from balances with banks and financial institutions is managed by the Board.

No material exposure is considered to exist by virtue of the possible non performance of the counterparties to financial instruments. At the current stage of operations, no counterparties exist.

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20 Capital commitments

The company had no capital commitments at 31 December 2007 or 31 December 2006.

21 Contingent liabilities

There were no contingent liabilities at 31 December 2007 or 31 December 2006.

22 Contingent assets

There were no contingent assets at 31 December 2007 or 31 December 2006.

23 Operating lease commitments

The group does not have any lease commitments at balance date.

24 Acquisition of subsidiaries

Acquisition of remaining 50% share of Minera Sucre SAC

In November 2007 the group obtained the remaining 50% share in Minera Sucre SAC bringing the Company's ownership to 100%. The acquired business contributed no revenue to the group, only capitalised exploration costs. If the acquisition had occurred on 1 January 2007, in the directors opinion there would not have been an adjustment to group revenue as all costs incurred were capitalised as exploration costs. Details of net assets acquired and goodwill are as follows:

	£
Purchase consideration	
- fair value of shares issued	130,592
Total Purchase Consideration	130,592
Fair value of net assets acquired	130,952
Goodwill	-

The assets and liabilities as of November 2007 arising from the acquisition are as follows:

	Fair Value	Acquiree's carrying amount
Intangible assets (Exploration costs)	130,592	130,592

Acquisition of remaining 51% shareholding of Caracal Cambridge Bulgaria EAD (CCB):

The 31 December 2005 UK GAAP numbers were restated to include 100% of Hereward Ventures Bulgaria (HVB). In turn HVB owned 49% of Caracal Cambridge Mining Ventures Ltd (CCMV), the 100% shareholder of CCB, which was treated as investment in associate in the year ended 31 December 2006. The carrying value of the investment in the associate was nil. The financial statements do not show the share of the associates' losses as at 31 December 2006 as this would give rise to a negative investment carrying value.

In March 2007 the joint venture partner Asia Gold transferred their 51% shareholding in CCMV to HVB for a nil consideration which therefore gave HVB a 100% shareholding. Later in 2007 HVB allocated 1% of their shareholding to a new joint venture partner, Electrum. The excess of the fair value of the acquiree's identifiable net assets over the cost of the acquisition was recognised immediately after acquisition in the income statement to a value of £94,000.

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24 Acquisition of subsidiaries continued

The acquired business contributed revenues of £1,127 and net profit of £368,011 to the group from the date of acquisition to reporting date. If the acquisition had occurred on 1 January 2007, group revenue would not have been affected as to date of acquisition only exploration costs had been incurred.

	£
Purchase consideration	
- cash paid	-
Total Purchase Consideration	-
Fair value of net assets acquired	94,000
Excess of acquirer's interest in the net fair value of acquiree's identifiable net assets	(94,000)

The assets and liabilities as of November 2007 arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value adjustments	Fair value
Cash and cash equivalents	1,325	-	1,325
Property, plant and equipment and exploration interests	751,770	(659,095)	92,675
Deferred tax liabilities	2,655	(2,655)	-
Other receivables	36,283	(36,283)	-
Borrowings	(438,938)	438,938	-
Total	353,095	(259,094)	94,000

25 Related party transactions

During the year the Company paid Geomin Consultants £70,500 for the consultancy and technical services services of its employee C Andrew, who is a director of the Company. £11,750 was owing to Geomin Consultants at 31 December 2007.

During the year the Company paid Markham Associates, a company owned & controlled by N MacLachlan, £48,750 for the directorial services of N MacLachlan, who is a non-executive director of the Company. £33,750 was owing to Markham Associates at 31 December 2007.

During the year the Company paid Euroventure International Plc, a company owned and controlled by M Burton, who is a director of the Company, £52,500 for the accountancy services of M Burton. £8,750 was owing to Euroventure International Plc at 31 December 2007.

During the year M Burton, finance director, advanced the group £15,200 (2006 – nil). This amount is currently a creditor of the company. Within the debtors balance of the group is an amount payable by M Burton of £4,070 (2006 – nil).

26 Post balance sheet events

- On 25 January 2008 the Company announced it had secured a finance facility of US\$15,000,000 in respect of certain of its gold mine projects in Columbia. Under the terms of the facility the Company has to deliver gold in repayment for the finance.
- On 19 March 2008 the Company raised £400,000 before expenses through a share placing with an institution.

27 Reconciliation of UK GAAP IFRS statements

The valuation of the investments prior to 1 January 2006, the group's date of transition to IFRS, have not been restated to comply with IFRS 3 "Business Combinations".

The Company has elected not to calculate the translation difference in respect of foreign operations retrospectively and thereby set corresponding translation differences at the date of transition determined in accordance with previous GAAP, which was zero.

Goodwill arising from these investments £1,529,475 has not been restated other than as set out in the note below.

Goodwill recognised by the group on acquisition under UK GAAP was amortised over a period of 20 years. Under IFRS goodwill is not amortised, but tested annually for impairment. The goodwill amortisation charge recognised with UK GAAP in 2006 was written back.

Under UK GAAP the investment that is held in Hereward was treated as a fixed asset investment. As a result the assets and liabilities of the company were not recognised by the group. On transition to IFRS, the exemptions previously available under UK GAAP not to recognise Hereward as a subsidiary are no longer available. As a result the balance sheet as at 31 December 2005 has been restated to account for the fair value of the assets and liabilities in relation to Hereward not previously recognised under UK GAAP.

Notes to the Financial Statements

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27. Reconciliation of UK GAAP IFRS statements continued

The adoption of IFRS had the following impact on group profit:

	Reference	Year ended 31 December 2006		
		As previously reported under UK GAAP	Adjustments	As restated under IFRS
		£	£	£
Continuing Operations				
Other Income		27,193	-	27,193
Administrative Costs	A	(900,658)	76,464	(824,194)
Share of losses from joint ventures		(635)	-	(635)
Loss on disposal of quoted investment		-	-	-
Loss before tax		(874,100)	76,464	(797,636)
Earnings per share:				
Basic loss per share:		(0.54)	1.33	(0.49)
Diluted loss per share		(0.54)	1.25	(0.49)
Reconciliation of Profit / Loss				
(Loss) under UK GAAP		(874,100)		
Goodwill amortization no longer recognised after date of transition	A	76,464		
Loss IFRS		(797,636)		

Notes:

A: Under IFRS goodwill is not amortised. Goodwill charged for the period has been written back.

Notes to the Financial Statements

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27. Reconciliation of UK GAAP IFRS statements continued

Reconciliation of Group Equity:

		31 December 2006			1 January 2006		
		As previously reported under UK GAAP	Adjustments	As previously reported under IFRS	As previously reported under UK GAAP	Adjustments	As restated under IFRS
		£	£	£	£	£	£
		Ref					
Assets							
Non-Current Assets							
Exploration expenditure	b	4,815,468	1,431,711	6,247,179	3,173,455	900,476	4,073,931
Property Plant and Equipment	b	85,559	6,866	92,425	43,844	6,868	50,712
Goodwill	α,b	1,038,768	152,938	1,191,706	1,115,242	76,464	1,191,706
Investments	b	902,364	(822,364)	80,000	873,399	(822,938)	50,461
		6,842,159	769,151	7,611,310	5,205,940	160,870	5,366,810
Current Assets							
Cash and Cash Equivalents	b	618,302	3,090	621,392	1,287,292	3,090	1,290,382
Trade and other receivables	b	798,588	(598,806)	199,782	642,868	(67,563)	575,305
		1,416,890	(595,716)	821,174	1,930,160	(64,473)	1,865,687
Total Assets		8,259,049	173,435	8,432,484	7,136,100	96,397	7,232,497
Liabilities							
Non Current Liabilities							
Borrowings	b	-	-	-	-	(153,814)	(153,814)
Current liabilities							
Trade and other payables	b	(389,428)	(165,704)	(555,132)	(287,778)	(11,316)	(299,094)
Total Liabilities		(389,428)	(165,704)	(555,132)	(287,778)	(165,130)	(452,908)
Net assets/liabilities		7,869,621	7,731	7,887,352	6,848,322	(68,733)	6,779,589
Equity							
Equity attributable to equity holders of the parent							
Share capital		2,089,989	-	2,089,989	1,451,322	-	1,451,322
Share premium account		10,456,807	-	10,456,807	9,165,330	-	9,165,330
Revaluation reserve		48,500	-	48,500	18,900	-	18,900
Merger reserve		2,116,435	-	2,116,435	2,116,435	-	2,116,435
Other Reserves	b	-	1,373	1,373	-	1,373	1,373
Translation reserve	c	-	(64,345)	(64,345)	-	-	-
Accumulated Loss	α,b	(6,842,110)	70,703	(6,771,407)	(5,903,665)	(70,106)	(5,973,771)
Total Equity		7,869,621	7,731	7,887,352	6,848,322	(68,733)	6,779,589
Reconciliation of Group Equity							
				1 January 2005		31 December 2006	
				£		£	
Total Equity UK GAAP				6,848,322		7,869,621	
Goodwill no longer amortized after transition date				α 76,464		152,938	
Effect of recognising Hereward as Subsidiary				b (145,197)		(145,207)	
Total Adjustments to Equity				(68,733)		7,731	
Total Equity IFRS				6,779,589		7,887,352	

Notes:

α: Under IFRS goodwill is not amortised. Goodwill charged for the period has been written back.

b: Under UK GAAP the investment that is held in Hereward was treated as a fixed asset investment. As a result the assets and liabilities of the company were not recognised by the group. On transition to IFRS, the exemptions previously available under UK GAAP not to recognise Hereward as a subsidiary is no longer available. As a result the balance sheet as at 31 December 2005 has been restated to account for the fair value of the assets and liabilities in relation to Hereward not previously recognised under UK GAAP.

c: The group has elected to adopt the IFRS exemption from creating an opening balance for foreign currency translation reserves. For the year ended 2006 amounts relating to foreign currency has been adjusted from retained earnings to create the opening balance for the foreign currency translation reserve that is required under IFRS.

Report of the Independent Auditors

To the members of Cambridge Mineral Resources

We have audited the parent Company financial statements of Cambridge Mineral Resources plc for the year ended 31 December 2007 which comprise the principal accounting policies, the balance sheet and notes 28 to 42. These parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Cambridge Mineral Resources plc for the year ended 31 December 2007. That report is modified by the inclusion of an emphasis of matter based on going concern.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors

Our responsibility is to audit the parent Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent Company financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Report of the Directors is consistent with the parent Company financial statements. The information given in the Report of the Directors includes that specific information presented in Chairman's Statement and Operations Report that is cross referred from the business review section of the Report of the Directors.

In addition we report to you if, in our opinion, the Company has not kept proper records, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent Company financial statements. This other information comprises only the Chairman's Statement and the Operations Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent Company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent Company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent Company financial statements.

Opinion

In our opinion:

- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007, and of its loss for the year then ended;
- the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter - Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in note 28 to the financial statements concerning the Company's ability to continue as a going concern. The Company incurred a net loss of £4,522,246 during the year ended 31 December 2007. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.



Grant Thornton

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
London

21 July 2008

Company Balance Sheet

As at 31 December 2007

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	Note	2007 £	2006 £
Fixed assets			
Tangible assets	32	12,524	19,001
Investments	33	1,588,808	1,526,679
		1,601,332	1,545,680
Current assets			
Debtors	34	3,167,937	5,559,906
Cash at bank and in hand		-	597,593
		3,167,937	6,157,499
Creditors: amounts falling due within one year	35	(826,952)	(563,016)
Net current assets		2,340,985	5,594,483
Net assets		3,942,317	7,140,163
Equity attributable to equity holders of the parent			
Share capital	36	2,711,156	2,089,989
Share premium account	37	11,160,040	10,456,807
Revaluation reserve		-	48,500
Merger reserve	37	702,685	702,685
Profit and loss account	37	(10,631,564)	(6,157,818)
Total equity		3,942,317	7,140,163

Approved by the Board of Directors on 21 July 2008.

Michael Burton
Director

Notes to the Financial Statements

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28 Significant Accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 1985. As permitted by the Act, the separate financial statements have been prepared in accordance with all applicable UK accounting standards. The principal accounting policies used are as follows:

The financial statements have been prepared on the historical costs basis.

- i Investments in subsidiaries are stated at cost, less any provision where, in the opinion of the directors, there has been a diminution in value.
- ii Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.
- iii Share Based Payments. FRS 20 'Share-Based Payment (IFRS 2)' requires the recognition of equity-settled share-based payments at fair value at the date of the grant at each balance sheet date. The standard applies to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.
- iv These Company financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons:
 - 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.
 - The directors have prepared cash flow information for 12 months from the date of these accounts. 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.
 - On 25 January 2008 the Company announced it had secured a pre-payment finance facility of US\$15,000,000 in respect of certain of its gold mine projects in Colombia. Under the terms of the facility the Company has to deliver gold in repayment for the finance.
 - On 19 March 2008 the Company announced that it had raised £400,000, before expenses, through a placing of 20 million new ordinary shares at 2 p each with Allianz Equity Investments Limited.
 - The Company is currently looking to raise a further £400,000 post the signature of these financial statements.
 - Management expects that there will be sufficient funding to meet their needs the needs of the Company on the grounds of strict cost controls already in place and the ability of its corporate finance brokers and advisors to raise additional capital as required.
- v The directors have prepared cash flow information for 12 months from the date of these financial statements. 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 Company to undertake an optimal programme of exploration.
- vi Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful economic lives. The rates generally applicable are as follows:

Office equipment	25%
Motor vehicles	25%

29 Loss for the financial year

The Company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The Company loss for the year was £4,522,246 (2006: loss of £707,066).

30 Staff numbers and costs

The average number of employees of the Company (including directors) during the year was 9 (2006: 7) and their aggregate remuneration comprised:

	2007 £	2006 £
Wages and salaries	148,310	109,570
Social security costs	10,317	27,293
	158,627	136,863

31 Loss on ordinary activities before taxation

The auditors remuneration for audit services to the Company was £35,000 (2006: £15,000).

Notes to the Financial Statements

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32 Tangible fixed assets

The Company	Office equipment £	Motor vehicles £	Total £
Cost			
At 1 January 2007	194,082	8,000	202,082
Additions	3,070	-	3,070
At 31 December 2007	197,152	8,000	205,152
Depreciation			
At 1 January 2007	175,082	7,999	183,081
Charge for the year	9,546	1	9,547
At 31 December 2007	184,628	8,000	192,628
Net book amount at 31 December 2007	12,524	-	12,524
Net book amount at 31 December 2006	19,000	1	19,001

33 Investments

The Company	Share in Group undertakings £	Other investments £	Total £
Cost or valuation			
At 1 January 2007	1,446,679	80,000	1,526,679
Additions	212,343	-	212,343
Disposals	-	(80,000)	(80,000)
Impairment	(70,214)	-	(70,214)
At 31 December 2007	1,588,808	-	1,588,808

At 31 December 2007 the group held shares in subsidiary undertakings as below:

Name of subsidiary undertaking	Country of incorporation	Name of business	% of shares held	Included in the consolidation
Recurso Metalicos SL	Spain	Mineral exploration	100	Yes
South Atlantic Resources Limited	England and Wales	Mineral exploration	100	Yes
Hereward Ventures Bulgaria EAD	Bulgaria	Mineral exploration	100	Yes
Caracal Cambridge Bulgaria EAD	Bulgaria	Mineral exploration	99	Yes
Caracal Cambridge Mining Ventures Limited	Virgin Islands	Mineral exploration	99	Yes
Minera Peru Gold S.A.C	Peru	Mineral exploration	100	Yes
Minera Sucre S.A.C	Peru	Mineral exploration	100	Yes
Colgold Inc	Panama	Mineral exploration	100	Yes
Colgold Inc Colombia	Colombia	Mineral exploration	100	Yes

The investment in South Atlantic Resources Limited has been impaired in full during the year ended 31 December 2007.

34 Debtors

	2007 £	2006 £
Amounts owed by group undertakings	6,593,398	5,285,207
Other debtors	168,147	231,297
Prepayments and accrued income	44,666	43,402
	6,806,211	5,559,906
Provision for bad and doubtful debts in respect of amounts owed by group undertakings	(3,638,274)	-
Total	3,167,937	5,559,906

Amounts owed by group undertakings are due over one year.

Notes to the Financial Statements

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35 Creditors: amounts falling due within one year

	2007 £	2006 £
Bank overdraft	7,498	-
Amounts owed to group undertakings	426,656	387,026
Social security and other taxes	27,889	11,452
Other creditors	202,677	95,371
Accruals and deferred income	162,232	69,167
	826,952	563,016

The amounts due to group undertakings are payable on demand.

36 Share capital

	2007 £	2006 £
Authorised		
500,000,000 ordinary shares of 1p each	5,000,000	5,000,000
Allotted, called up and fully paid		
271,115,704 (2006: 208,999,038) ordinary shares of 1p each	2,711,156	2,089,989

Allotments during the year

During the year the Company allotted a total of 62,166,666 ordinary 1p shares for cash consideration of £1,411,500. The difference between the total consideration, net of expenses of £87,100, and the total nominal value has been credited to the share premium account.

Share options

All the share options below were granted after 7 November 2002, with the exception of the options granted on the 1 April 2007, were and fully vested as at 1 January 2006. The Company has granted options to subscribe for ordinary 1p shares as follows:

Date granted	Period exercisable	Exercise price per share (pence)	Number of options unexercised
31 December 2001	31 December 2001 to 30 December 2008	20.00p	450,000
19 February 2003	19 February 2003 to 18 February 2010	10.25p	700,000
19 February 2003	19 February 2003 to 18 February 2010	14.50p	300,000
1 April 2007	1 April 2007 to 31 March 2009	3.50p	175,000
			1,625,000

The Company's share price at 31 December 2007 was 2.05p. The highest and lowest share prices during the year were 4.88p and 1.8p respectively.

During the year ended 31 December 2007 175,000 share options were issued to a Colombian employee. These share options at the date of grant had a market value of £3,500 which the directors consider to be a reasonable estimation of their fair value. The potential charge arising has not been charged to the profit and loss account.

The Company issued warrants to subscribe in cash for 30,666,666 ordinary 1p shares as shown in the table below. The warrants are exercisable at any time between the dates shown and the date upon which a full Stock Exchange listing or a takeover becomes effective.

Date of grant	Number of warrants	Exercise price	Exercisable from	Exercisable to
21/06/2007	8,333,333	£0.0300	21/06/2007	20/06/2008
21/06/2007	8,333,333	£0.0300	21/06/2007	20/06/2009
06/08/2007	3,000,000	£0.0300	06/08/2007	05/08/2008
06/08/2007	3,000,000	£0.0300	06/08/2007	05/08/2009
06/08/2007	2,000,000	£0.0300	06/08/2007	05/08/2008
06/08/2007	2,000,000	£0.0300	06/08/2007	05/08/2009
23/10/2007	1,000,000	£0.0300	23/10/2007	23/10/2008
23/10/2007	1,000,000	£0.0300	23/10/2007	23/10/2009
23/10/2007	2,000,000	£0.0200	23/10/2007	22/10/2010

The directors are satisfied that the warrants outstanding as at 31 December 2007 are equity in nature and therefore there is no fair value adjustment arising.

Notes to the Financial Statements

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36 Share capital continued

The following table shows the number and weighted average exercise price of all the unexercised share options and warrants at the year end:

	Number	2007 Weighted average exercise price	Number	2006 Weighted average exercise price
Outstanding at 1 January	34,150,000	3.47p	1,450,000	14.16p
Options granted during the year	175,000	3.50p	-	-
Warrants granted during the year	30,666,666	3.00p	32,700,000	3.00p
Outstanding at 31 December	64,991,666	3.24p	34,150,000	3.40p

37 Reserves

	Share premium account £	Merger reserve £	Revaluation reserve £	Profit and loss £
At 1 January 2007	10,456,807	702,685	48,500	(6,157,818)
Premium on allotments in year	703,233	-	-	-
Disposal of investments	-	-	(48,500)	48,500
Loss for year	-	-	-	(4,522,246)
At 31 December 2007	11,160,040	702,685	-	(10,631,564)

38 Reconciliation of movement in shareholders' funds

	2007 £	2006 £
Loss for the financial year	(4,522,246)	(707,066)
Transfer from revaluation reserve on sale of investments	(48,500)	-
Transfer to profit and loss reserve on sale of investments	48,500	-
Increase in revaluation reserve	-	29,600
Issue of shares (net of expenses)	1,324,400	1,930,144
Net increase/(decrease) in shareholders' funds	(3,197,846)	1,252,678
Shareholders' funds at 1 January	7,140,163	5,887,485
Shareholders' funds at 31 December	3,942,317	7,140,163

39 Contingent assets

Under the terms of the agreement for the acquisition of Hereward Ventures Bulgaria EAD (HVB), 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 the debt 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.

40 Operating lease commitments

There are no operating lease commitments due at the balance sheet date.

41 Related party transactions

During the year the Company paid Geomin Consultants £70,500 for the consultancy and technical services of its employee C Andrew, who is a director of the Company. £11,750 was owing to Geomin Consultants at 31 December 2007. During the year the Company paid Markham Associates, a company owned & controlled by N MacLachlan, £48,750 for the directorial services of N MacLachlan, who is a non-executive director of the Company. £33,750 was owing to Markham Associates at 31 December 2007. During the year the Company paid Euroventure International Plc, a Company owned and controlled by M Burton, who is a director of the Company, £52,500 for the accountancy services of M Burton. £8,750 was owing to Euroventure International Plc at 31 December 2007. During the year M Burton, finance director, advanced the Company £15,200 (2006 – nil). This amount is currently a creditor of the Company. Within the debtors balance of the Company is an amount payable by M Burton of £4,070 (2006 – nil).

42 Post balance sheet events

(a) On 25 January 2008 the Company announced it had secured a finance facility of US\$ 15,000,000 in respect of certain of its gold mine projects in Colombia. Under the terms of the facility the Company has to deliver gold in repayment for the finance.

(b) On 19 March 2008 the Company raised £400,000 before expenses through a share placing with an institution.

Directors, Officers & Advisors

Directors

Neil T MacLachlan
Non-Executive Chairman
Colin J Andrew
Managing Director
Michael J Burton
Finance Director
Nevyanka Mateeva
Non-Executive Director

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