

## **Cambridge Mineral Resources plc**

### **UPDATE**

Cambridge Mineral Resources plc (“CMR” or “the Company”), the exploration and mining company, provides the following update on its activities.

#### **COLOMBIA**

The Company’s activities in Colombia, including its Quintana Gold Mine, have ceased until further notice. The reasons for this are as follows:

In November 2008 CMR commenced gold production at Quintana.

The Company had previously forward-sold 13,691 ounces of gold, being a proportion of its forecast monthly production over 39 months, to a buyer, Bluecrest Mercantile III BV (“Bluecrest”).

Bluecrest had made a payment in advance of US\$6M, under a pre-payment agreement (“the Agreement”). The pre-payment equated to an effective price of US\$438.24 per gold ounce. The Agreement also provided a facility for an additional US\$9M in funding for two further qualifying gold mine projects in Colombia.

The pre-payment funds were used to develop Quintana through to production (US\$5M), and to pay other project-related costs and legal fees necessitated by the Agreement (US\$1M).

The first gold delivery to Bluecrest was due at the end of November 2008, which CMR made in cash, Bluecrest having recently exercised its option under the Agreement to receive cash at market price instead of physical gold.

In December 2008 various technical problems were encountered on site with the new plant and equipment, which are not uncommon with new mine start-ups which typically take several months to reach steady-state production. This situation impacted gold production whilst the appropriate remedial actions were taken.

As a result CMR was unable to produce the gold required to make the second monthly payment to Bluecrest which was due on 31 December 2008.

On 5 January 2009 Bluecrest issued CMR with a Notice of Breach of the Agreement as a result of the overdue payment.

On 8 January 2009 Bluecrest issued CMR with a Demand for Settlement within 28 days of the entire balance of 13,541 ounces of gold, which had been due to be mined and delivered over 39 months.

During the remainder of January 2009 CMR resolved most of the technical issues at Quintana. CMR then asked Bluecrest to agree to the resumption of mining operations under revised delivery arrangements, so that the same total quantity of gold, or cash equivalent, would be delivered over the full term of the Agreement. However, Bluecrest declined this request.

CMR and its advisers had engaged with prospective financiers able to provide the necessary funding for the settlement, however the process required approximately 3 months to complete the necessary due-diligence on Quintana, which is a normal time-frame in the industry. Bluecrest’s own due-diligence had taken approximately 6 months.

Therefore, it was impossible for CMR to mine or otherwise obtain the required 13,541 ounces of gold, or raise the then US\$12M cash equivalent, within the 28 days demanded by Bluecrest.

On 6 February 2009 Bluecrest began to exercise its securities under the Agreement, being the shares in CMR's companies in Panama and Colombia, which held the Quintana mine and various other projects in Colombia. As a result, Bluecrest took control of those companies.

On 6 March 2009 CMR's quotation on AIM was cancelled (see Corporate below for further information). Bluecrest had previously informed CMR that it wished to see the Company de-list. However, being de-listed made it far more difficult for CMR to raise the settlement finance for Bluecrest. It also made it impossible for CMR to raise the working capital required to maintain the Company whilst the new finance was sought.

Nevertheless, CMR and its advisers continued to progress finance options and made settlement proposals to Bluecrest, including one of US\$9M, all of which were rejected by Bluecrest.

At Quintana, no CMR management, supervision or technical personnel has been allowed on-site, nor has had any involvement in the operations, since Bluecrest made its demand for full settlement and exercised its securities. The mine ceased production in February 2009 and most employees were made redundant. The mine is currently not on any form of adequate care and maintenance and has therefore been effectively abandoned. It is understood that there have been cyanide spills from the mine into a nearby river.

In addition, a number of CMR's other Colombian projects have been lost whilst under the effective control of Bluecrest.

## **PERU**

CMR holds a number of projects on its Patacancha Claim Group, via its wholly-owned subsidiary Minera Peru Gold SAC. A Feasibility Study was completed on its Rasuhuilca silver-gold mine in 2008, establishing the potential of the mine to produce 1,000,000 ozs of silver and 15,000 ounces of gold over an initial 5 year mine life together with further potential to convert additional resources to minable reserves within the overall resource. CMR is currently evaluating options to advance or divest the project.

## **SPAIN**

CMR is currently in the process of divesting its interests in Spain which comprise the polymetallic Lomero-Poyatos mine and base-metal Masa Valverde exploration permits.

## **BULGARIA**

CMR's joint venture with Electrum Gold Inc ("Electrum") is proceeding satisfactorily and continues to operate normally. Electrum completed its first-stage earn-in program earlier in the year and exercised its option to take 51% of the Joint Venture Company. Electrum is now proceeding with its second stage earn-in program, which upon completion entitles them to acquire 80% of the Joint Venture Company. Under the joint venture process certain exploration licenses have been relinquished and new exploration licenses have been acquired or applied for.

## **CORPORATE**

CMR's quotation on AIM was cancelled on 6 March 2009. The background to this is as follows:

On 12 December 2008 CMR issued a regulatory announcement to the London Stock Exchange, which reported the Company's arrangements with Bluecrest in respect of increases to the sums advanced and increases to the amounts of gold deliveries which had arisen subsequent to the original Agreement.

The announcement also reported Bluecrest's requirement to change the exercise price of share warrants in CMR to be allotted to them in possible future mine financings under the Agreement. Since the original exercise price of those warrants had been previously approved by Shareholders, CMR advisors stated that the proposed change to the warrant exercise prices required further Shareholder approval.

Bluecrest also required that if such approval was not received from Shareholders then that in itself would result in a terminable default of the Agreement.

This announcement was approved by CMR's nominated adviser ("Nomad"), corporate broker, legal adviser and board.

However, following the release of the announcement, Bluecrest objected to the content relating to the changes in the sums advanced and the gold deliveries. Bluecrest cited the announcement as a breach of confidentiality under the Agreement on the grounds that it was not a legal requirement that such information be disclosed. CMR's Nomad and lawyer advised that the relevant disclosure made in the announcement was an over-riding obligation for CMR under AIM rules.

This was rejected by Bluecrest, who incorporated the alleged breach into the Notice of Breach of 5 January 2009, and the Demand for Settlement of 8 January 2009.

On 14 January 2009 CMR issued a further regulatory announcement to the London Stock Exchange regarding Bluecrest's Demand for Settlement of 8 January 2009. In the draft announcement, which was approved by the Company's advisers and board, CMR also explained the circumstances leading up to the situation, e.g. the temporary technical problems at the mine, in order to inform Shareholders and the market generally.

However, Bluecrest objected to the explanatory content of the draft announcement. As a result, those explanations were removed by CMR's Nomad. The revised announcement, which did not have full board approval due to the removal of the explanatory content, was released at the insistence of CMR's Nomad, which had said it would resign immediately if the revised announcement was not released.

On 30 January 2009 CMR's Nomad resigned and CMR shares were suspended on AIM.

AIM informed the Company that third-parties should not under any circumstances be permitted to interfere with regulatory announcements.

Under the AIM rules a new Nomad was required to be appointed within one month. With the considerable assistance of CMR's corporate broker, a prospective new Nomad was quickly identified, who arranged with AIM an extension to the one month time limit. The Nomad completed the required due diligence on CMR by the revised deadline.

As a pre-condition to appointment, the Nomad required CMR to obtain Bluecrest's agreement to a temporary standstill on its execution of securities in order for the Company to obtain the necessary working capital and finance to complete a settlement with Bluecrest. However, Bluecrest declined this request and therefore the Nomad was unable to be appointed.

As a result the Company's quotation on AIM was cancelled on 6 March 2009. The Board of CMR did all it could to avoid this situation and was extremely disappointed with the outcome.

The 2009 AGM has been delayed due to matters arising from the above situation.

## **FINANCIAL**

CMR has received no income as planned from the Quintana Gold Mine since its seizure by Bluecrest, and has also been unable to raise working capital due to the cancellation of its quotation on AIM. Consequently, the financial requirements of the Company have been supported by the directors and staff by a substantial amount.

## **SUMMARY**

The Company's board, staff and advisors continue to make every effort to resolve the above issues as soon as possible, for the benefit of Shareholders and all stakeholders including Bluecrest.

CMR continues to be a public company and its shares remain valid. The Company hopes to obtain a share quotation at the earliest possible opportunity. In the meantime the board would like to thank Shareholders for their loyalty, patience and understanding during this most difficult period.

A further update will be issued in due course.

By The Board of Cambridge Mineral Resources plc

**16 September 2009**