

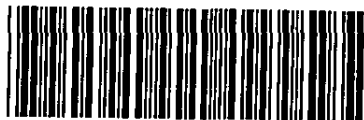
Cornish Minerals Limited

FINANCIAL STATEMENTS

for the year ended

31 October 2012

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COMPANIES HOUSE

Company Registration No 07022896 (England and Wales)

CORNISH MINERALS LIMITED

COMPANY INFORMATION

DIRECTORS	D Hay D McQuaig G Smith
SECRETARY	SGH Company Secretaries Limited
COMPANY NUMBER	07022896
REGISTERED OFFICE	One America Square Crosswall London EC3N 2SG
REGISTERED AUDITOR	Baker Tilly UK Audit LLP 3rd Floor One London Square Cross Lanes Guildford Surrey GU1 1UN

CORNISH MINERALS LIMITED

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CORNISH MINERALS LIMITED

DIRECTORS' REPORT

For the year ended 31 October 2012

The directors present their report and the financial statements of Cornish Minerals Limited (Company Registration No 07022896) and its group for the year ended 31 October 2012

PRINCIPAL ACTIVITIES

The principal activity of the company is that of a holding company of a trading group

The principal activity of the company's subsidiaries continues to be that of mining for mineral ore and secondary aggregate. At this stage the South Crofty Project is in an exploration and development phase

BUSINESS REVIEW

The principal risks to the business of the group are

- failure to discover sufficient mineral resources
- base metal prices falling below economic extraction levels
- an inability to develop new surface mine buildings and related infrastructure
- an inability to fund the development of the mine

The historical resources data available and the group's exploration results to date, together with the increasing world demand for base metals, have all underpinned the rationale for on-going investment into the project

The level of activity and project progress is determined by the extent of funding available to the group. During the year under review significant advances were made in drilling activities (resource exploration) enabling independent consultants to issue an updated resource report on 19 October 2012 (National Instrument 43-101 Technical Report 'Updated Dolcoath Resource Estimation, South Crofty Mine'). Additionally, the legal contracts were completed with Cornwall Council on 1 May 2012 securing sufficient land to develop required future surface Mine infrastructure. The Planning Consent Decision Notice in relation to the surface permission was issued to the Company on 3 November 2011. The underground decision notice following an application's conditional approval by the Council's Planning Committee on 31 March 2011 is now awaited.

Work force levels decreased from 50 at 31 October 2011 to 43 by 31 October 2012

GOING CONCERN

The Group has sustained a loss of £976,420 (2011 £102,945) for the year and has net current liabilities of £1,464,260 at 31 October 2012 (2011 £1,057,230)

The Group continues to advance progress with the aim of developing the mine for future production of tin, copper and zinc concentrates and has obtained funding from Celeste Mining Corporation (Celeste), a Canadian TSXV-C entity which has agreed to fund the expenditures of the project under the terms of an 'Earn-In' Agreement entered into on 25 May 2011. Such funding has enabled the continued development of the mine over the period since the last annual accounts.

The Group requires further funding in order to continue on-going exploration and modelling of underground resources, as well as water treatment and development activities, and Celeste, under the terms of the 'Earn-In' Agreement entered with the Group, proposes to provide significant funding to the company resulting in an ultimate change in control of the company. The directors are satisfied that the Agreement will enable sufficient funds to be obtained for the mine development to continue for the next 12 months from the date of approval of the financial statements.

On this basis, the directors consider it appropriate to draw up the financial statements on a going concern basis.

DIRECTORS

The following directors have held office since 1 November 2011

N Brewster	(appointed 24 November 2011, resigned 25 June 2012)
D Hay	(appointed 24 November 2011)
D McQuaig	(appointed 25 June 2012)
A Shoesmith	(resigned 25 June 2012)
G Smith	(appointed 25 June 2012)

CORNISH MINERALS LIMITED

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 October 2012

AUDITOR

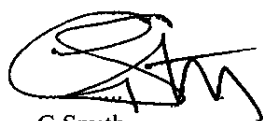
The auditor, Baker Tilly UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office
On behalf of the board

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. They have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

This report was approved by the board of directors on 25 March 2013

Signed on behalf of the board

A handwritten signature in black ink, appearing to be 'G Smith', written over a horizontal line.

G Smith
Director

Date 25 March 2013

CORNISH MINERALS LIMITED

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

CORNISH MINERALS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CORNISH MINERALS LIMITED

We have audited the group and parent company financial statements on pages 7 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As more fully explained in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 October 2012 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

EMPHASIS OF MATTER - GOING CONCERN

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made on page 10 to the financial statements concerning the group and the company's ability to continue as a going concern. The group incurred a net loss of £976,420 for the period ended 31 October 2012 (2011: £102,945) and has net current liabilities at that date of £1,464,260 (2011: £1,057,230). These conditions, along with the other matters explained on page 10 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group or the company were unable to continue as a going concern.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records or returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Baker Tilly UK Audit LLP

CHRISTOPHER HURREN BA FCA (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

3rd Floor, One London Square

Cross Lanes

Guildford, Surrey

GU1 1UN

27 March 2013

CORNISH MINERALS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 October 2012

	Notes	2012 £	2011 £
TURNOVER	2	3,070	7,468
Administrative expenses		(405,316)	(286,217)
Exceptional cost impairment to fixed assets	3	(500,000)	-
OPERATING LOSS	3	(902,246)	(278,749)
Bank interest received	5	1,618	-
Write back of prior year interest	5	-	246,463
Interest payable and similar charges	5	(75,792)	(71,106)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(976,420)	(103,392)
Tax on loss on ordinary activities	6	-	447
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(976,420)	(102,945)

Turnover and operating loss are derived from the group's continuing operations

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 October 2012

	2012 £	2011 £
Loss for the year	(976,420)	(102,945)
Unrealised surplus on revaluation of the land	1,651,403	-
TOTAL GAINS AND LOSSES RECOGNISED	674,983	(102,945)

CORNISH MINERALS LIMITED

BALANCE SHEET

AS AT 31 October 2012

Company Registration No 07022896

	Notes	Group 2012 £	2011 £	Company 2012 £	2011 £
FIXED ASSETS					
Intangible assets	7	15,994,799	13,552,807	-	-
Tangible assets	8	3,488,134	2,086,641	-	-
Investments	9	-	-	707,089	704,024
		<u>19,482,933</u>	<u>15,639,448</u>	<u>707,089</u>	<u>704,024</u>
CURRENT ASSETS					
Stocks	10	143,677	111,766	-	-
Debtors	11	108,524	499,954	11,223,675	6,553,675
Cash at bank and in hand		608,162	34,479	-	-
		<u>860,363</u>	<u>646,199</u>	<u>11,223,675</u>	<u>6,553,675</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>(2,324,623)</u>	<u>(1,703,429)</u>	<u>(18,583)</u>	<u>(3,024)</u>
NET CURRENT LIABILITIES		<u>(1,464,260)</u>	<u>(1,057,230)</u>	<u>11,205,092</u>	<u>6,550,651</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>18,018,673</u>	<u>14,582,218</u>	<u>11,912,181</u>	<u>7,254,675</u>
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	<u>-</u>	<u>(1,908,528)</u>	<u>-</u>	<u>-</u>
NET ASSETS		<u><u>18,018,673</u></u>	<u><u>12,673,690</u></u>	<u><u>11,912,181</u></u>	<u><u>7,254,675</u></u>
CAPITAL AND RESERVES					
Called up share capital	14	1,866,667	1,400,000	1,866,667	1,400,000
Share premium account	15	10,058,008	5,854,675	10,058,008	5,854,675
Revaluation reserve	15	1,651,403	-	-	-
Other reserve	15	6,551,200	6,551,200	-	-
Profit and loss account	15	<u>(2,108,605)</u>	<u>(1,132,185)</u>	<u>(12,494)</u>	<u>-</u>
SHAREHOLDERS' FUNDS	16	<u><u>18,018,673</u></u>	<u><u>12,673,690</u></u>	<u><u>11,912,181</u></u>	<u><u>7,254,675</u></u>

The financial statements on pages 7 to 20 were approved by the board of directors and authorised for issue on
and are signed on its behalf by

25 March 2013



G Smith
Director

CORNISH MINERALS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

AS AT 31 October 2012

	Notes	2012 £	2011 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	17	(388,089)	(452,259)
RETURNS ON INVESTMENT		<u>1,618</u>	<u>-</u>
		(386,471)	(452,259)
TAXATION		-	447
Payments to acquire fixed assets		(2,336,407)	(2,136,068)
FINANCING	17	<u>3,296,561</u>	<u>2,550,675</u>
(DECREASE)/INCREASE IN CASH IN THE YEAR		<u><u>573,683</u></u>	<u><u>(37,205)</u></u>

CORNISH MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **for the year ended 31 October 2012**

1 ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold land

1.2 GOING CONCERN

The Group has sustained a loss of £976,420 (2012 £102,945) for the year and has net current liabilities of £1,464,260 at 31 October 2012 (2011 £1,057,230)

The Group continues to advance progress with the aim of developing the mine for future production of tin, copper and zinc concentrates and has obtained funding from Celeste Mining Corporation (Celeste) a Canadian TSXV-C entity which has agreed to fund the expenditures of the project under the terms of an 'Earn-In' Agreement entered into on 25 May 2011. Such funding has enabled the continued development of the mine over the period since the last annual accounts

The Group requires further funding in order to continue on-going exploration and modelling of underground resources, as well as water treatment and development activities, and Celeste and the group have prepared a mine operations plan for the period to March 2014 together with a forecast of the expenditures required to carry out such operations, continuing the mine development activities. Although the plan is not yet complete nor agreed, Celeste has formally given notice to exercise an option to fund expenditures pursuant to the 'Earn-In' Agreement. Celeste proposes to provide significant funding resulting in an ultimate change in control of the company

The directors are satisfied that the Agreement will enable sufficient funds to be obtained for the mine development to continue for the next 12 months from the date of approval of the financial statements. On this basis, the directors consider it appropriate to draw up the financial statements on a going concern basis

The carrying value of the intangible and tangible assets are dependent on the continued development of the mine to a successful production stage. The financial statements do not include any adjustment that would result from the going concern basis being inappropriate, which would include providing against the carrying values of the intangible asset and impairing other assets to recoverable amount

1.3 BASIS OF CONSOLIDATION

As a result of a Share Exchange Agreement which became effective on 1 December 2009 Cornish Minerals Limited became the ultimate holding company of Western United Mines Limited, a company incorporated in England and Wales and Cornish Minerals Limited, a company incorporated in Bermuda

The consolidated accounts comprise the accounts of the company together with those of its subsidiaries made up to 31 October 2012

As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account for the company has been presented. The company's loss after taxation for the year amounted to £12,494 (2011 nil)

1.4 TURNOVER

Turnover represents the group's income from the sale of rock and scrap metal

1.5 INTANGIBLE ASSETS MINE EXPLORATION AND DEVELOPMENT COSTS

All costs incurred by the group relating to exploration and development of mineral properties are carried as intangible assets until such time as it is determined that there are commercially exploitable reserves, at which time such costs will be transferred to tangible fixed assets to be amortised over the expected productive life of the asset. The directors periodically review this intangible asset for impairment and, where the value in use is less than the carrying amount the asset is written down to its recoverable amount and where a project is abandoned or is considered not to be economically viable, the related costs are written off

CORNISH MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 October 2012

1 ACCOUNTING POLICIES (Continued)

1 6 INTANGIBLE ASSETS INTELLECTUAL PROPERTY

Intellectual property consists of the plans and know how in relation to the South Crofty mine. The cost of this asset will be amortised over the productive life of the mine, once mineral ore extraction commences. The directors periodically review this intangible asset for impairment and, where the value in use is less than the carrying amount the asset is written down to its recoverable amount and where a project is abandoned or is considered not to be economically viable, the related costs are written off.

1 7 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment, with the exception of land which is carried at market value.

Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:

Plant and machinery	20% Straight Line
Fixtures, fittings & equipment	10-33% Straight Line
Motor vehicles	20% Straight Line

Assets not in use awaiting mine operations are reviewed for impairment but are not depreciated until brought into use.

1 8 INVESTMENTS

Long term investments are classified as fixed assets and are stated at cost in the balance sheet.

Provision is made for any permanent diminution in the value of fixed asset investments.

1 9 STOCK

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

1 10 DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are not recognised when transfer of economic benefit in the future is uncertain.

1 11 FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Assets, liabilities, and results of overseas subsidiaries are translated at the rate ruling at the balance sheet date. Exchange differences arising are dealt with through reserves.

CORNISH MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 October 2012

2 TURNOVER

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom

3 OPERATING LOSS

	2012 £	2011 £
Operating loss is stated after charging		
Depreciation of tangible assets		
-owned assets	1,325	9,534
Exceptional cost impairment to fixed assets	500,000	-
Auditor's remuneration		
-company	6,500	3,000
-subsidiary	15,000	11,000
-tax	6,470	4,000
	<u> </u>	<u> </u>

4 EMPLOYEES

The average monthly number of persons (including directors) employed by the group during the year was

	2012 No	2011 No
Mine development	17	20
Mineral exploration	18	23
Mine maintenance	1	1
Administration & Security	7	6
Directors	3	3
	<u> </u>	<u> </u>
	46	53
	<u> </u>	<u> </u>

	£	£
Staff costs for the above persons		
Wages and salaries	1,314,919	1,040,689
Social security costs	136,594	101,162
	<u> </u>	<u> </u>
	1,451,513	1,141,851
	<u> </u>	<u> </u>

DIRECTORS' REMUNERATION

	2012 £	2011 £
Emoluments for qualifying services	114,167	50,000
	<u> </u>	<u> </u>

CORNISH MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 October 2012

5 INVESTMENT INCOME AND INTEREST PAYABLE

	2012 £	2011 £
Investment income		
Bank interest	1,618	-
Write back of prior year interest payable		
Other loans	-	246,463
Interest payable		
Other interest	75,792	71,106

6 TAXATION

	2012 £	2011 £
CURRENT YEAR TAX		
Adjustment for prior years	-	(447)
CURRENT TAX CREDIT	-	(447)
FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR		
Loss on ordinary activities before taxation	(976,420)	103,392
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24% (2011 26%)	(234,341)	26,882
Effects of		
Non deductible expenses	1,006	20,587
Depreciation in excess of capital allowances	(385,796)	(535,104)
Tax losses created	592,916	573,601
Adjustments to previous periods	-	(447)
Other tax adjustments	26,215	(32,202)
	234,341	26,435
CURRENT TAX CREDIT	-	(447)

Tax losses of approximately £11.1 million (2011 £8.6 million) have not been recognised in these financial statements as in the opinion of the directors the timing of their recovery is uncertain

CORNISH MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2012

7 INTANGIBLE FIXED ASSETS

GROUP

	Intellectual property	Mine exploration costs	Total
	£	£	£
COST			
At 1 November 2011	1,424,159	12,128,648	13,552,807
Additions	-	2,441,992	2,441,992
At 31 October 2012	1,424,159	14,570,640	15,994,799
NET BOOK VALUE			
At 31 October 2012	1,424,159	14,570,640	15,994,799
At 31 October 2011	1,424,159	12,128,648	13,552,807

Intellectual property consists of the planning and other documentation and the know-how for the mining activities of the company that were acquired from Baseresult Holdings Limited

The mine exploration costs are those costs incurred in exploring for minerals, and the costs incurred in undertaking works to assess the viability of any resources identified

8 TANGIBLE FIXED ASSETS

	Freehold land (At valuation)	Plant and machinery	Fixtures, fittings & equipment	Motor Vehicles	Total
	£	£	£	£	£
COST					
At 1 November 2011	826,597	1,778,108	60,621	19,546	2,684,872
Additions	357,000	42,373	6,249	5,399	411,021
Transfers	-	9,960	-	(9,960)	-
Revaluation in the year	1,651,403	-	-	-	1,651,403
31 October 2012	2,835,000	1,830,441	66,870	14,985	4,747,296
DEPRECIATION					
At 1 November 2011	-	522,352	60,621	15,258	598,231
Charge in the year	-	166,494	1,325	(6,888)	160,931
Impairment	-	500,000	-	-	500,000
At 31 October 2012	-	1,188,846	61,946	8,370	1,259,162
NET BOOK VALUE					
At 31 October 2012	2,835,000	641,595	4,924	6,615	3,488,134
At 31 October 2011	826,597	1,255,756	-	4,288	2,086,641

CORNISH MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 October 2012

8 TANGIBLE FIXED ASSETS (Continued)

The freehold land was re-valued as at 31 October 2012 at market value of £2,835,000 by the directors based on information provided to them by Chartered Surveyors involved in the transfer of the land to the company during the year. The historical cost of the freehold land is £1,183,597 (2011: £826,597). No provision for deferred taxation has been made in respect of the gain on the freehold land. If it were to be sold at valuation, the tax liability would amount to £367,000 (£2011: £nil).

9 FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 November 2011	704,024
Additions	3,065
	<hr/>
At 31 October 2012	707,089
	<hr/>
NET BOOK VALUE	
At 31 October 2012	707,089
	<hr/>
At 31 October 2011	704,024
	<hr/>

The additions relate to additional costs of shares acquired in previous years. In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

HOLDINGS OF MORE THAN 20%

The company holds more than 20% of the share capital of the following companies

COMPANY	Country of registration or incorporation	Class	Shares held %
SUBSIDIARY UNDERTAKINGS			
Western United Mines Limited	England & Wales	Ordinary	100
Cornish Minerals Limited	Bermuda	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows

	PRINCIPAL ACTIVITY
Western United Mines Limited	Mining
Cornish Minerals Limited	Owning mineral rights

CORNISH MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2012

10 STOCKS

	Group 2012 £	2011 £	Company 2012 £	2011 £
Raw materials and consumables	143,677	111,766	-	-

Stock is consumable mining and office supplies and is stated at the lower of cost and net realisable value. The Group also holds significant quantities of aggregate extracted from the mine during the current exploratory phase of the mine development. This aggregate is being processed on site by a third party. No value has been placed on the stock as the cost is accounted for as part of the mine development, and due to the current economic conditions no sales have been made in the year.

11 DEBTORS

	Group 2012 £	2011 £	Company 2012 £	2011 £
Trade debtors	414	-	-	-
Other debtors	54,691	453,481	11,223,675	6,553,675
Prepayments and accrued income	53,419	46,473	-	-
	<u>108,524</u>	<u>499,954</u>	<u>11,223,675</u>	<u>6,553,675</u>

12 CREDITORS Amounts falling due within one year

	Group 2012 £	2011 £	Company 2012 £	2011 £
Trade creditors	139,766	127,905	-	-
Amounts owed to group undertakings	-	-	13,538	3,024
Taxes and social security costs	57,964	39,692	-	-
Directors current accounts	62	852	-	-
Other creditors	1,850,893	1,376,463	-	-
Accruals and deferred income	275,938	158,517	5,045	-
	<u>2,324,623</u>	<u>1,703,429</u>	<u>18,583</u>	<u>3,024</u>

Other creditors represent loans from shareholders of the holding company or their shareholders (see note 17). £1,850,893 (2011: £nil) from Cassiterite LP's owners is secured by way of a fixed and floating charge over the undertaking and all property of the subsidiary Western United Mines Limited and incurs interest at 3% above base rate per annum and is repayable by 30 September 2013.

CORNISH MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 October 2012

13 CREDITORS Amounts falling due after more than one year

	Group 2012 £	2011 £	Company 2012 £	2011 £
Other loans	-	1,908,528	-	-
ANALYSIS OF LOANS				
Wholly repayable within five years	-	3,281,967	-	-
Included in current liabilities	-	(1,373,439)	-	-
	-	1,908,528	-	-

Other loans are borrowing from Cassiterite LP's owners and are secured by way of a fixed and floating charge over the undertaking and all property of the subsidiary Western United Mines Limited

14 SHARE CAPITAL

	2012 £	2011 £
ALLOTTED, CALLED UP AND FULLY PAID		
18,666,667 (2011 14,000,000) Ordinary shares of £0.10 each	1,866,667	1,400,000

During the year 4,666,667 £0.10 shares were issued for a total of £4,670,000, a premium of £4,203,333, to Celeste Mining Corporation under the terms of an 'Earn-In' Agreement entered on 25 May 2011

15 STATEMENT OF MOVEMENTS ON RESERVES

GROUP	Share premium account £	Revaluation reserve account £	Other reserve £	Profit and loss account £
Balance at 1 November 2011	5,854,675	-	6,551,200	(1,132,185)
Loss for the year	-	-	-	(976,420)
Revaluation in the year	-	1,651,403	-	-
Premium on shares issued during the year	4,203,333	-	-	-
Balance at 31 October 2012	10,058,008	1,651,403	6,551,200	(2,108,605)
COMPANY				Profit and loss account £
Balance at 1 November 2011				-
Loss for the year				(12,494)
Balance at 31 October 2012				(12,494)

CORNISH MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2012

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

GROUP	2012	2011
	£	£
Loss for the financial year	(976,420)	(102,945)
Issue of shares	4,670,000	6,553,675
Revaluation in the year	1,651,403	-
Net addition to shareholders' funds	5,344,983	6,450,730
Opening shareholders' funds	12,673,690	6,222,960
Closing shareholders' funds	18,018,673	12,673,690
	2,012	2,011
	£	£
COMPANY		
Loss for the financial year	(12,494)	-
Issue of shares	4,670,000	6,553,675
Net addition to shareholders' funds	4,657,506	6,553,675
Opening shareholders' funds	7,254,675	701,000
Closing shareholders' funds	11,912,181	7,254,675

CORNISH MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 October 2012

17 CONSOLIDATED CASH FLOWS

a Reconciliation of operating loss to net cash inflow from operating activities

	2012 £	2011 £
Operating loss	(902,246)	(278,749)
Depreciation of tangible assets	501,325	157,486
Increase in stocks	(31,911)	(11,220)
(Increase)/decrease in debtors	(7,360)	(24,947)
Increase/(decrease) in creditors	52,103	(294,829)
Net cash inflow from operating activities	<u>(388,089)</u>	<u>(452,259)</u>

b Analysis of net funds

	1 November 2011 £	Movement in the year £	Other movement £	31 October 2012 £
Net cash				
Cash at bank and in hand	34,479	573,683	-	608,162
Net debt				
Debts due within one year	(1,373,439)	1,373,439	(1,850,893)	(1,850,893)
Debts falling due after one year	(1,908,528)		1,908,528	-
Total net debt	<u>(3,247,488)</u>	<u>1,947,122</u>	<u>57,635</u>	<u>(1,242,731)</u>

Other movements are in respect of reclassification of loan as due within one year and separation of interest accruing on the loan. The addition to land was a non-cash addition through movement on debtors as the transaction was completed.

c Financing

	2012 £	2011 £
Drawdown on short term borrowings	130,120	2,602,574
Repayment of short term borrowings	(1,503,559)	-
Repayment of finance lease liability	-	(51,899)
Issue of shares	4,670,000	-
	<u>3,296,561</u>	<u>2,550,675</u>

d Reconciliation of net cash flow to movement in net debt

	2012 £	2011 £
Increase/(decrease) in cash in the year	573,683	(37,205)
Net cash outflow/(inflow) on net debt	1,373,439	(2,550,675)
Non-cash movement	57,635	5,596,675
Movement in net debt in the year	<u>2,004,757</u>	<u>3,008,795</u>
Opening net debt	<u>(3,247,488)</u>	<u>(6,256,283)</u>
Closing net debt	<u>(1,242,731)</u>	<u>(3,247,488)</u>

CORNISH MINERALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) **for the year ended 31 October 2012**

18 CONTROL

At the year end there was no ultimate controlling party

On 25 May 2011 the company signed an 'Earn in' agreement in relation to future funding to allow for the continued development of the mine, as discussed in note 1.2 on Going Concern. If the agreement progresses to its ultimate conclusion, it will result in a change in control of the group.

19 RELATED PARTY TRANSACTIONS

COMPANY

The company has taken advantage of the exemptions provided by Financial Reporting Standard Number 8 'Related Party Disclosures' and has not disclosed transactions with fellow group undertakings where 100% of the voting rights are controlled within the group.

GROUP

During the year the group maintained a working capital loan from Cassiterite LP (a shareholder) or that entity's owners. The balance at the year-end was £1,850,893 (2011: £3,224,332). The loan is repayable on demand. £1,850,893 (2011: £1,908,528) borrowed from Cassiterite LP's owners is secured.

Interest of £75,792 (2011: £71,106) has been accrued in respect of these loans.

At the year end, the group owed £62 (2011: £852) to the directors of a subsidiary undertaking in relation to expenses incurred on behalf of the group.