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Pan Pacific Aggregates Plc

Annual Report and Financial Statements
Year Ended
31 December 2008

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Pan Pacific Aggregates Plc

Directors and Advisers

Directors	James Ladner *Chairman* William Voaden *Managing Director* Euan McAlpine *Operations Director* (Appointed 30 September, 2008) Dr Anton Schrafl *Non-Executive Director* David Shaw *Non-Executive Director* (Appointed 7 October, 2008)
Company Secretary	James Ladner
Registered office	7 Devonshire Square, Cutlers Gardens, London, EC2M 4YH.
Principal place of business	260-265 Clearbrook Road, Abbotsford, BC, Canada, V2T 2Y6.
Company number	05311866
Company registrar	Computershare Investor Services Plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH.
Solicitors – UK	Hammonds LLP, 7 Devonshire Square, Cutlers Gardens, London, EC2M 4YH.
Solicitors – Canada	Robertson Downe & Mullally, 33695 South Fraser Way, Abbotsford, BC, Canada,V2S 2C1.
Nominated Adviser	Dowgate Capital Advisers Limited, 46 Worship Street, London, EC2A 2EA.
Broker	VSA Capital Limited, 14 Austin Friars, London, EC2N 2HE.
Banker	Coutts & Co, 440 Strand, London, WC2R 0QS.
Independent Auditors	BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU.
Country of incorporation of parent company	England and Wales
Legal form	Public Limited Company

Pan Pacific Aggregates Plc

Managing Director's statement

1. Introduction

2008 was a difficult year and a period during which an acquisition led to an adverse impact on the Group's financial position due to several key factors. The Pumptown Quarry Inc. ("Pumptown") and CNI Equipment Ltd ("CNI Equipment") operations were consolidated into the Group following their acquisition on 11 June 2008.

PPA subsequently received notice from the City of Abbotsford Council that, following an inspection of the public bridge near the quarry, the sole access road was not "fit for purpose" for the load limits of aggregate trucks and the quarry was forced to close. The Board is optimistic that the City of Abbotsford will soon allow an alternative access by-pass road to be built to resolve this problem.

On 27 October 2008, PPA announced that HSBC had served a claim on Pumptown in the amount of C$13.255 million in respect of lease payments due to HSBC. On 4 December 2008, the quantum of the claim was reduced to C$1.652 million and on 18 March 2009, Pumptown reached agreement to settle the claim for C$150,000, subject to certain agreed upon and acceptable conditions.

The combination of issues, in tandem with the impact of the credit crisis on the building material industry, has resulted in a significant cost in maintaining operations (without corresponding revenue) and has adversely impacted the Group's financial position. This situation has improved, following the completion of an aggregate £582,250 (before expenses of £67,250) fundraising between April and June 2009.

Despite the closure of the quarry and the adverse impact this has had on the Group, the outlook for the Group is now cautiously optimistic. Our prospects and financial position are supported by £230,000 of cash reserves as at 28 June 2009 to support our strategy as set out in paragraph 8 below. The Group is dependent on the board's ability to obtain additional funding by September 2009 to meet its working capital requirements and planned development opportunities. In this regard it is noteworthy that the last funding round was oversubscribed and the board feels confident that it will attract the necessary funds by September 2009 to implement its strategy.

The economic outlook for aggregates within British Columbia and especially the Fraser Valley is buoyant with the economic stimulus packages which have been implemented by the Canadian Federal Government. Consequently, there are a number of supply contracts which Pumptown Quarry would be in a good position to win following receipt of the operational and by-pass road permits.

2. Financial Performance

The results for the year are disappointing, and reflect the costs associated in maintaining quarry operations and associated finance costs (without corresponding revenue).

Revenue for the period was £184,000 (2007: £21,000) and the loss before tax was £3,336,000 (2007: £2,279,000).

Loss per share, basic and diluted, was 1.8p (2007: 3.6p loss).

Cash used in operations in the period was £1,120,000 (2007: £1,093,000).

Total capital and reserves attributable to equity shareholders of PPA at the year end were £1,343,000 (2007: £751,000).

In July 2008 we raised £1.02 million at a price of 1p per share for working capital during very difficult market conditions. Proceeds have been used to acquire Pumptown and CNI Equipment and for additional working capital purposes.

Finance costs, increased by 2.6 per cent. to £1,085,000 from £1,057,000 in 2007. This increase is mainly due to the Pumptown mortgage which was part of the acquisition. During the year £1,018,000 of interest payable on the convertible loan notes issued to RAB Capital Special Situations (Master) Fund Limited ("RAB") was capitalised. The loan note balance at the year end was £4,571,000 which included £821,000 of interest capitalised against the loan note value.

3. Operational Performance

In June 2008, we acquired the entire issued share capital of Pumptown Quarry Inc. and CNI Equipment Inc. for consideration of £1,804,000. The type of aggregate produced by Pumptown is hard rock which is primarily used as base material for local roads and buildings.

In the year under review, Pumptown's operations proved challenging for local management. In addition to learning to cope with the impact of the closure of the sole access to the quarry and no production, further issues arose following the acquisition of Pumptown regarding the payment due to HSBC under its equipment leases. The dispute with HSBC led to it making a claim against Pumptown for C$13.255 million, the amount of which was reduced to C$1.652 million. On 18 March 2009, PPA announced that it had reached an agreement with HSBC to settle the above mentioned claim for C$150,000, subject to certain agreed upon and acceptable conditions.

During the year the Board evaluated the fair value of the Pumptown assets and liabilities acquired. In light of the difficulties faced by the newly acquired subsidiary and the number of accounting adjustments identified post acquisition the directors wrote the carrying value of goodwill acquired for Pumptown down to £nil from £629,000, further details can be found in note 19.

Further to the announcement of 27 March 2009, the Group is currently marketing the property situated at Wood Bay on the Sechelt Peninsular of British Columbia ("Wood Bay"). Wood Bay is a freehold property and will become unoccupied in July 2009.

Wood Bay was a potential site for a ship loading terminal. The site does not currently generate any revenues or profits. The net book value of the property is £0.9 million. On disposal of Wood Bay, RAB will receive the net sale proceeds, such proceeds to be applied in part to discharging the outstanding principal amount of the loan notes outstanding. A further announcement will be made once the terms of sale are agreed.

4. Environmental performance

The Group is subject to various Canadian laws concerning the environment. Management ensures that any registrations, licenses or permits required for the Group's operations are obtained and observed. All operations have access to safety and environmental legislation summaries specific to their activities and a Group-wide safety, health and environmental management system ("SH&E") is in place for monitoring, reporting and addressing SH&E matters.

The Group monitors environmental matters by site and business division, and information about the Group's performance is regularly reported and reviewed by the Group's senior management and the Board.

5. Dividend

The Board does not to recommend the payment of a dividend at this stage.

6. Board Changes and Senior Appointment

Following the purchase of Pumptown, Don Nicholson resigned as a director and was replaced by James Ladner as Non-executive Chairman. In addition, the Board was strengthened by the appointment of Euan McAlpine (Executive Director – Operations) and David Shaw (Non-executive Director). I would like to extend my sincere thanks to Don for his contribution to the development of PPA, playing a lead role in securing and developing our aggregate interests.

Euan McAlpine was until recently employed by Cazenove Capital Management Ltd, where for the past eight years he has worked as a fund manager with an emphasis on business development in the north-west of England. He joined Cazenove from Seamless Holdings Ltd, a manufacturer and installer of epoxy resin floor systems and decorative flake wall systems for industrial use, where he was Chairman and Managing Director for 3 years.

David Shaw has a doctorate in Geology and is a senior mining analyst having worked with Yorkton Securities and Chevron Resources in Vancouver over the past 7 years. He has worked with several junior natural resource companies and has a close relationship with the technical and financial communities in Vancouver.

We are fortunate to be able to welcome Euan and David to the Board and can only benefit from their considerable industry experience and business acumen.

In addition, on 4 December 2008, PPA announced the appointment of Thomas Masney to the senior management team as Chief Financial Officer (designate). This is not a board appointment.

Based in Vancouver, Thomas Masney will be responsible for the financial strategy of the Group, reporting to the Managing Director and the Board on all financial matters, also being responsible for all day-to-day running of the financial management within the Group.

Thomas Masney is a chartered accountant who is a specialist in company turnarounds and restructuring situations. He has held a number of posts as either Financial Director or CFO in Canada, London and Hong Kong, following his early careers with Ernst & Young and PricewaterhouseCoopers.

7. Post Balance Sheet Date Events

On 27 March 2009, PPA entered into a Deed of Variation with RAB to amend the terms of the secured loan notes issued to them, which become effective upon certain conditions being met. Those conditions have been met. The deed provides in addition for the sale of Wood Bay and the receipt of the net proceeds by RAB, and upon PPA raising a further £2,500,000 at any time prior to 31 March 2010, the loan notes will be redeemable and convertible on the revised basis.

On 18 March 2009, PPA reached agreement to settle the claim served by HSBC against PPA for C$150,000, subject to certain agreed upon and acceptable conditions. HSBC have since agreed that the amount due to them will be settled on the same basis as other unrelated unsecured creditors of Pumptown, as futher decribed below.

Between April and June 2009 PPA raised, in aggregate, £582,250 (before expenses of £67,250). The net proceeds will provide PPA with additional working capital, enabling it to satisfy the agreed settlement of the claim made by HSBC and to recommence operations at Pumptown Quarry in due course. The raising of this amount satisfied one of the conditions to the above Deed of Variation becoming effective. If the revision of the terms of redemption and conversion is achieved, we will have transformed the Group's balance sheet. We will continue to keep the market informed of any further developments.

On 15 June 2009, PPA announced that Pumptown filed a Proposal to offer unrelated unsecured creditors of Pumptown a total payment of 9.554 per cent of proven claims representing a total payment of approximately C$210,000. This was necessary as a number of creditor claims had arisen following the acquisition of Pumptown that needed to be settled on the same basis as the HSBC claim. The Proposal was approved at a meeting of creditors on 26 June 2009 and will be submitted to the Court for approval.

On 29 June 2009 at the Executive Committee meeting of the City of Abbotsford Council, a report from the Manager, Engineering Inspections and Permits regarding a soil removal application (an operational permit) of Pumptown was presented and approved to proceed to a public information meeting which is expected to occur in July.

On the assumption there is a positive outcome from the July meeting, the next step is for Council to ratify the Soil Removal Application, which is expected to take place in August 2009, further details are set out in paragraph 10 below.

The operational permit, the subject of the Soil Removal Application enables the Company to operate the quarry (meaning blast and process stone in the quarry), subject to conformity with local regulations.

8. Strategy

Our strategy for growth lies in three key areas, namely:

1. increase the size of the Group's aggregate resource;
2. deliver the Group's products to customer within the western seaboard of Canada; and
3. develop strategic alliances with large volume consumers of construction and industrial aggregates.

Our strategy has been to expand the Group in existing markets and carefully increase the size of our operations organically, via joint ventures and acquisitions.

9. People

I would like to thank all our employees for their continuing dedication to serving the Group and its customers effectively. I am confident in the more challenging times I see ahead that they will respond and outperform accordingly.

10. Outlook

The temporary closure of Pumptown and the challenge of re-capitalising our business make forecasting difficult. We are pleased with the progress the business has made over the past year in resolving the various challenges facing it.

Our operating plans for the year ahead assume that the Pumptown Quarry will re-open in the second half of 2009, a fundraising being undertaken by September 2009, and that demand for aggregates in the local region remains constant. Government focus on infrastructure spending will have a positive impact on our business.

We will maintain continuous dialogue with our stakeholders with a view to the re-opening of the quarry. The Directors believe that the Pumptown Quarry may have limited revenue generating operations by the end of August 2009. Once the Pumptown Quarry is re-opened, we will focus our efforts on production and meeting the needs of our customers and we will progress further value adding opportunities.

The Directors believe that access to the by-pass bridge for gravel trucks will be obtained and be fully operational by the end of September 2009. The Company may be required to contribute towards bridge engineering costs. The size of such contribution has not been determined.

That we are able to move forward positively is due in no small measure to the efforts of our management team and Canadian workforce, led most capably by our Chief Financial Officer designate, Thomas Masney. Thanks to them, we have managed not only to secure our operating base in British Columbia, but also taken a step (via the Proposal to creditors announced on 15 June 2009) to strengthen the financial position of Pumptown. I wish to congratulate Thomas and his staff for this achievement.

As part of our overall strategy, the Board intends to seek possible acquisition opportunities in the Fraser Valley to take full advantage of a fragmented market served by a number of local producers and consolidate the Group's position.

I would also like to thank Evan McAlpine and his operational team for the significant progress made during the year.

We will also continue our work to bring the Caren Ridge deposit on the Sechelt Peninsular into production. As announced on 8 December 2008, we are seeking a partner to operate the quarry. The Board expects to begin production in 2010.

11. Conclusion

In the last twelve months the Group has overcome many obstacles in relation to resolving a number of issues and funding its operations. Subject to Court approval of the Pumptown Proposal, approval by the City of Abbotsford Council of a proposed by-pass road and its construction, and the operational permit being approved, the Group will focus on bringing the Pumptown Quarry back into production and to generating cash flow. There is demand in the area for our products and we are in discussions regarding several new aggregates contracts.

We believe we will be in a good position to benefit from the anticipated recovery in the local economy.

William Voaden
Managing Director

30 June 2009

Pan Pacific Aggregates Plc

Directors' remuneration report

The Board is responsible for the overall remuneration package for the Executive and Non-Executive Directors. The package consists of basic salary and benefits.

Directors' emoluments

Full details of all elements in the remuneration package of each Director for the year are set out below:

		Directors' Remuneration	
		31 December 2008 £'000	*31 December 2007 £'000*
Executive directors			
William John Voaden		141	70
James Ladner		16	20
Euan McAlpine	(appointed 30 September, 2008)	13	–
Donald Nicholson	(resigned 15 August, 2008)	68	75
Non-executive directors			
Dr Anton Ernst Schrafl		15	15
David Shaw	(appointed 7 October, 2008)	4	–
Robert John Hasell	(resigned 10 September, 2007)	–	7
		257	187

No director received a pension entitlement from the Company in respect of the year ended 31 December 2008 (2007 – Nil).

Service agreements

(a) **William John Voaden** has entered into a letter of appointment with the Company relating to his engagement as a Director of the Company and a service agreement with PPA, dated 1 May 2007 to run until 31 December 2007, to act as Chief Executive Officer, after which date the service agreement can be terminated by either side giving to the other not less than 90 days' written notice. In return for his services under the service agreement, William Voaden, was paid fees of £141,333 in 2008, plus expenses. In addition, he may be awarded a bonus, at the determination of the Remuneration Committee.

(b) **James Ladner** has been re-appointed as Executive Director and Company Secretary under the same terms and salary as last year until 31 December 2008.

(c) **Dr. Anton Ernst Schrafl** has been re-appointed as Non-Executive Director under the same terms and salary as last year until 31 December 2008.

(d) **Euan McAlpine** has entered into a contract appointing him as Operations Director on 30 September, 2008. Euan McAlpine is paid an annual fee of £50,000 per year plus expenses.

(e) **David Shaw** has entered into a letter of appointment as Non-Executive Director for an annual fee of £15,000 plus a per diem charge of CDN$1,000 (£560) plus expenses for non Board meeting matters.

(f) **Donald Nicholson** entered into a letter of appointment with the Company relating to his engagement as a Director of the Company and a service agreement with Pan Pacific Aggregates Ltd ("PPAL"), a subsidiary of the Company, both dated 20 October 2005, to act as Executive Chairman. The service agreement was terminated with effect on 31 October 2008. Donald Nicholson was paid a salary of CDN$138,000 (approximately £70,358) per annum, plus expenses and a car allowance of CDN$23,000 (approximately £11,726) per annum.

Directors' options

The options held by Directors over ordinary shares in the Company during the year were as follows:

Director	*Exercise price per share (£)*	*Date of grant*	*2008 Number*	*2007 Number*
Cancelled options				
Donald Nicholson	0.80	20 October 2005	–	800,000
James Ladner	0.80	20 October 2005	–	300,000
William Voaden	0.80	20 October 2005	–	300,000
Anton Schrafl	0.80	1 November 2005	–	200,000
New option scheme				
Donald Nicholson	0.03	25 July, 2008	2,000,000	–
William Voaden	0.03	25 July, 2008	2,000,000	–
James Ladner	0.03	25 July, 2008	500,000	–
Anton Schrafl	0.03	25 July, 2008	500,000	–
			5,000,000	1,600,000

At an AGM held on 25 July 2008 permission was granted to cancel all share options previously issued to directors in 2005 and it was agreed that new options were to be issued under terms of a New Option Scheme. No options have been exercised since the financial year end.

The new options are exercisable at any time for up to ten years from the date of grant. The Board has reserved a further 6,410,000 of new options within the New Option Scheme. Subsequent to the year end Donald Nicholson's share options lapsed 6 months after his resignation from the Board without being exercised.

Pan Pacific Aggregates Plc

Report of the directors
for the year ended 31 December 2008

The directors present their report together with the audited financial statements for the year ended 31 December 2008.

Results and dividends

The consolidated income statement is set out on page 15 and shows the loss for the year.

The Directors do not recommend the payment of a dividend (2007 – Nil).

Principal activities, trading review and future developments

During the year the Group and Company's principal activity moved from mining and industrial minerals exploration to full scale production following the acquisition of Pumptown Quarry. A full review of activities and prospects can be found in the Managing Director's Statement on pages 4 to 7.

Review of results

The Group has incurred a loss after tax of £3.3 million (2007 – £2.3 million). The Group has yet to recommence commercial production and the results represent the Group's administrative costs which are principally employment costs and professional fees and financial expense. The results for 2008 include a non cash charge for equity settled share based payments of £0.4 million (2007 – £0.4 million) and financial expenses of £1.1 million (2007 – £1.0 million). The Directors continue to monitor administrative costs closely and have taken steps to restructure the management team as set out in the Managing Director's Statement on pages 4 to 7. The key Group performance indicators that it uses to monitor its business are its cash position and cash commitments alongside capital expenditure, details of which are included in the Managing Director's statement on pages 4 to 7.

The Director's have reviewed the going concern of the Group and consider that the Group and company can continue as a going concern for a period of twelve months from the date of signing and accordingly the financial statements have been prepared on the going concern basis. Further detail of the Director's considerations in this regard is provided within the Managing Director's Statement on pages 4 to 7.

Principal risks and uncertainties

The economics of the Group's projects are dependent upon underlying commodity prices which fluctuate based upon conditions outside the Group's control. Further risks and uncertainties to the Group are discussed in the Managing Director's Statement on pages 4 to 7.

Going concern

The accounts have been prepared on a going concern basis as considered applicable by the Directors. However, as referred to in the Managing Director's Statement the Group is dependent on the Board's ability to raise additional funding by September 2009 to meet its working capital requirements and planned development opportunities. However, the Director's are confident that they can attract the additional funding required but given current market conditions there is no certainty that acceptable terms can be concluded.

Charitable and political donations

During the year the Company made no charitable or political contributions (2007 - £Nil).

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are contained in note 18 of the financial statements.

Policy and practice on the payment of creditors

Whilst no formal code is adopted, the Company's current policy concerning the payment of its creditors is to:

- settle the terms of payment with creditors when agreeing the terms of each transaction;
- ensure that these creditors are made aware of the terms of payment by the inclusion of relevant terms in contracts; and
- pay in accordance with its contractual and other legal obligations. At the balance sheet date creditor payment days are 45 days (2007 – 45 days).

Directors

The directors of the Company during the year and their interests in the ordinary share capital of the Company were:

	Number of ordinary shares of £0.001 each 31 December 2008	*Number of options over ordinary shares of £0.001 each 31 December 2008*	*Number of ordinary shares of £0.001 each 31 December 2007*	*Number of options over ordinary shares of £0.001 each 31 December 2007*
Donald Nicholson	4,400,001	2,000,000	4,400,001	800,000
James Ladner	760,001	500,000	760,001	300,000
William Voaden	300,000	2,000,000	300,000	300,000
Dr Anton Schrafl	550,000	500,000	550,000	200,000
David Shaw	50,000	–	–	–
Euan McAlpine	–	–	–	–
	6,060,002	5,000,000	6,010,002	1,600,000

The number of meetings attended by the Directors during the year were as follows:

	No. of meetings attended		
Director	*Remuneration Committee*	*Audit Committee*	*Board Meetings*
William Voaden	2	2	7
James Ladner	–	2	6
Donald Nicholson	–	–	4
Dr Anton Schrafl	2	2	7
Euan McAlpine	1	–	3
David Shaw	1	–	2

Directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company, for safeguarding the assets of the Group and Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985 and 2006 (as applicable).

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The Directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The Directors have chosen to prepare financial statements for the Company in accordance with IFRSs.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group and Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein

Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

William Voaden
Managing Director

30 June 2009

Pan Pacific Aggregates Plc

Report of the independent auditors

To the shareholders of Pan Pacific Aggregates Plc

We have audited the group and parent company financial statements (the "financial statements") of Pan Pacific Aggregates Plc for the year ended 31 December 2008, which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated and company cash flow statements, the consolidated and company statement of recognised income and expenses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and financial statements in accordance with applicable 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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, 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 Director's Remuneration Report and the Managing Director' Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 and 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 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 financial statements.

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the Parent Company statements give a true and fair view, in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2006, of the state of the Parent Company's affairs as at 31 December 2008;
- The financial statements have been properly prepared in accordance with the Companies Act 2006.
- the information given in the directors' report is consistent with the financial statements.

Emphasis of Matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group and Company's ability to continue as a going concern. The Group and Company are reliant on the Director's ability to successfully raise further financing by 30 September 2009 to fund its working capital and future development opportunities. The Directors remain confident that they can attract the additional funding but given the current difficult market conditions there can be no guarantee. Therefore this condition indicates the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

Emphasis of matter – Pumptown Quarry Inc

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 9 concerning the uncertainties surrounding the approvals required to bring the Pumptown assets into production. The recommencement of production at Pumptown quarry is dependent on the final court acceptance of the creditor's proposal, the approval of the by-pass road plan and its construction and the successful ratification of the company's permitting application by Abbotsford Council. Whilst there is no certainty that the necessary approvals will be received, the Directors, after having made appropriate enquiries, are confident that the Group will receive the expected favourable outcomes. No provision for any impairment in the value of these assets has been made within these financial statements.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
Chartered Accountants and Registered Auditors
London

30 June 2009

Pan Pacific Aggregates Plc

Consolidated income statement
for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Revenue	2	184	21
Cost of sales		(252)	(15)
Gross (loss)/profit		(68)	6
Impairment charge		(629)	–
Other administrative expenses		(1,569)	(1,262)
Total administrative expenses		(2,198)	(1,262)
Loss from operations	3	(2,266)	(1,256)
Financial expense	5	(1,085)	(1,057)
Financial income	5	15	34
Loss before taxation		(3,336)	(2,279)
Taxation credit	6	7	–
Loss for the year	16	(3,329)	(2,279)
Attributable to:			
Equity holders of the parent		(3,329)	(2,278)
Minority interest		–	(1)
Loss per ordinary share			
Basic and diluted (pence)	7	(1.8)	(3.6)

All amounts relate to continuing activities.

The notes on pages 22 to 46 form part of these financial statements.

Pan Pacific Aggregates Plc

Consolidated and company statement of recognised income and expenses for the year ended 31 December 2008

	Notes	*Group 2008 £'000*	*Group 2007 £'000*	*Company 2008 £'000*	*Company 2007 £'000*
Exchange differences arising on the translation of foreign subsidiaries		(133)	(14)	–	–
Net expense recognised directly in equity	16	(133)	(14)	–	–
Loss for the year	16	(3,329)	(2,279)	(3,462)	(4,546)
Total recognised income and expenses for the year		(3,462)	(2,293)	(3,462)	(4,546)
Attributable to:					
Equity holders of the parent		(3,461)	(2,292)	(3,462)	(4,546)
Minority interest		(1)	(1)	–	–
		(3,462)	(2,293)	(3,462)	(4,546)

The notes on pages 22 to 46 form part of these financial statements.

Pan Pacific Aggregates Plc

Consolidated balance sheet
at 31 December 2008

	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Assets					
Non-current assets					
Intangible assets	8	3,835		3,783	
Property, plant and equipment	9	3,821		1,019	
Total non-current assets			7,656		4,802
Current assets					
Inventories	11	126		–	
Receivables	12	40		30	
Cash		238		742	
Total current assets			404		772
Total assets			8,060		5,574
Liabilities					
Current liabilities					
Loan Notes	13	4,571		4,634	
Trade payables	13	438		188	
Other loans	13	894		–	
			5,903		4,822
Non-current liabilities					
Deferred tax	21		813		–
Total liabilities			6,716		4,822
Total net assets			1,344		752
Capital and reserves attributable to equity holders of the company					
Called up share capital	14		288		64
Share premium account	14,16		8,681		5,342
Foreign exchange reserve	16		(453)		(321)
Reserve for options granted	16		86		822
Reserve for warrants granted	16		72		–
Retained deficit	16		(7,331)		(5,156)
			1,343		751
Minority Interest			1		1
Total equity			1,344		752

The financial statements were approved by the Board of Directors and authorised for issue on 30 June 2009.

William Voaden
Managing Director

The notes on pages 22 to 46 form part of these financial statements.

Pan Pacific Aggregates Plc

Company balance sheet
at 31 December 2008

	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Assets					
Non-current assets					
Investments and advances	10	5,768		4,691	
Total non-current assets			5,768		4,691
Current assets					
Receivables	12	–		8	
Cash		230		707	
Total current assets			230		715
Total assets			5,998		5,406
Liabilities					
Current liabilities					
Loan Notes	13	4,571		4,634	
Trade payables	13	84		20	
Total liabilities			4,655		4,654
Total net assets			1,343		752
Capital and reserves attributable to equity holders of the company					
Called up share capital	14		288		64
Share premium account	16		8,681		5,342
Reserve for options granted	16		86		822
Reserve for warrants granted	16		72		–
Retained deficit	16		(7,784)		(5,476)
Total equity			1,343		752

The financial statements were approved by the Board of Directors and authorised for issue on 30 June 2009.

William Voaden
Managing Director

The notes on pages 22 to 46 form part of these financial statements.

Pan Pacific Aggregates Plc

Consolidated cash flow statement
for the year ended 31 December 2008

	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Loss before taxation			(3,336)		(2,279)
Adjustments for					
Depreciation and amortization		44		21	
Impairment of investment		628		–	
Interest receivable		(15)		(34)	
Interest payable		1,085		1,057	
Share based payment expense		419		398	
			2,161		1,442
Cash outflows from operating activities before changes in working capital and provisions			(1,175)		(837)
Decrease in trade and other receivables		51		50	
(Increase)/decrease in inventories		(54)		14	
Increase/(decrease) in trade and other payables		58		(320)	
			55		(256)
Cash outflows from operating activities			(1,120)		(1,093)
Investing activities					
Interest received		15		34	
Acquisition of subsidiary (net of cash acquired)	19	(212)		–	
Purchase of property, plant and equipment	9	(24)		(1)	
Proceeds from sale of property, plant and equipment		–		18	
Purchase of intangible assets	8	(52)		(421)	
Cash flows from investing activities			(273)		(370)
Financing activities					
Interest paid		(67)		–	
Issue of ordinary share capital (net of issue costs)	14	954		–	
Issue of convertible loan notes		–		1,500	
Cash flows from financing activities			887		1,500
(Decrease)/increase in cash			(506)		37
Cash and equivalents at beginning of the year			742		705
Exchange gains on cash and cash equivalents			2		–
Cash and equivalents at end of the year			238		742

Details of material non-cash transactions can be found in the notes to the accounts.

The notes on pages 22 to 46 form part of these financial statements.

Pan Pacific Aggregates Plc

Company cash flow statement
for the year ended 31 December 2008

	Notes	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Loss before taxation			(3,462)		(3,522)
Adjustments for					
Impairment of investments		856		2,672	
Interest charge		1,018		–	
Interest receivable		(15)		–	
Share based payment expense		418		398	
			2,277		3,070
Cash outflows from operating activities before changes in working capital and provisions			(1,185)		(452)
Decrease in trade and other receivables		8		29	
Increase /(decrease) in trade and other payables		64		(36)	
			72		(7)
			(1,113)		(459)
Cash outflows from operating activities					
Investing activities					
Interest received		15		33	
Investment in group companies		(204)		(1,055)	
Cash flows from investing activities			(189)		(1,022)
Financing activities					
Issue of ordinary share capital (net of issue costs)	14	954		–	
Loan to subsidiaries		(129)		–	
Issue of convertible loan notes		–		1,500	
Cash flows from financing activities			825		1,500
(Decrease)/increase in cash			(477)		19
Cash and equivalents at beginning of the year			707		688
Cash and equivalents at end of the year			230		707

The notes on pages 21 to 45 form part of these financial statements.

1 Accounting policies

New standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods and which the Group has decided not to adopt early. These are:

IAS 1, Presentation of financial statements: A Revised Presentation (effective for accounting periods beginning on or after 1 January 2009).

Revised IFRS 3: Business Combinations (effective for accounting periods beginning on or after 1 July 2009). The revised IFRS 3 is still to be endorsed by the EU.

IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009).

IAS 23 Borrowing Costs (revised) (effective for accounting periods beginning on or after 1 January 2009).

Amendment to IFRS 2 share based payments: Vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009).

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009). The amended IAS32 is yet to be endorsed by the EU.

Amendment to IAS 27: consolidated and separate financial statements. Amendments are effective for periods beginning 1 July 2009. The amended IAS 27 is still to be endorsed by the EU.

Amendment to IAS 39 and IFRS 7: Reclassification of Financial Instruments (effective for accounting periods beginning on or after 1 July 2008). The amendment has been endorsed by the EU.

Amendment to IAS 39 and IFRS 7: Reclassification of Financial Instruments – Effective date and transition (effective for accounting periods beginning on or after 1 July 2008). The amendment has yet to be endorsed by the EU.

Amendments to IFRS 1 and IAS 27: Cost of an Investment in a subsidiary, jointly controlled entity or associate (effective 1 January 2009). The amendment has been endorsed by the EU.

Amendment to IAS 39: Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective 1 July 2009). The amendment has yet to be endorsed by the EU.

Amendment to IFRIC 9 and IAS 39: Embedded derivatives (effective 30 June 2009). The amendment has been endorsed by the EU.

Amendment to IFRS 7: Improving Disclosures about Financial Instruments (effective 1 January 2009). The amendment has been endorsed by the EU.

IFRIC 12, Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008). IFRIC 12 has been endorsed by the EU.

IFRIC 13, Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008). IFRIC 13 has been endorsed by the EU.

IFRIC 15 Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009). IFRIC 15 is still to be endorsed by the EU.

1 Accounting policies *(continued)*

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for accounting periods beginning on or after 1 October 2008). IFRIC 16 is still to be endorsed by the EU.

IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009). IFRIC 17 is still to be endorsed by the EU.

IFRIC 18 Transfer of Assets from Customers (effective for accounting periods beginning on or after 1 January 2009). IFRIC 18 is still to be endorsed by the EU.

With the exception of those relating to business combinations (as the Group intends to grow by acquisition), 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 and the Company. There will however be additional presentational and disclosure impact affecting the presentation of the financial statements.

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied throughout the current period presented, unless otherwise stated. These financial statements, for both Parent Company and Group, have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as adopted by the European Union issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRSs. The accounts have been prepared on a going concern basis as considered applicable by the Directors. However, as referred to in the Managing Director's Statement the Group is dependent on the Board's ability to raise additional funding by September 2009 to meet its working capital requirements and planned development opportunities. The Directors are confident that they can attract the additional funding and are exploring all avenues for future funding arrangements and strategic options. However, given current market conditions there can be no guarantee that acceptable terms can be concluded. Therefore this condition indicates the existence of a material uncertainty which may cast significant doubt on the ability over the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The Company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own income statement in these financial statements. The Group loss for the period includes a loss after tax and before dividends paid and payable of £3,462,000 (2007 – £4,546,000) in respect of the Company.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

1 Accounting policies *(continued)*

Foreign currency

The presentational currency of the Group is Sterling ("Sterling"), The functional currency of the company is Sterling. The functional currency of the subsidiaries is Canadian Dollars.

Transactions entered into by Group entities in a currency other than their functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognized immediately in the income statement.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognized directly in equity (the "foreign exchange reserve"). Exchange differences recognized in the income statement of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss on disposal.

The exchange rates applied in the financial statements are as follow:

	2008	*2007*
	£1: C$	*£1: C$*
Closing rate as at year end	1.7896	1.9600
Average rate for year	1.9614	2.1486

Revenue Recognition

Sales of mineral production are recognised at the time of delivery of the product to the purchaser.

Share-based payments – options and warrants

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where warrants or options are issued for services provided to the Group, the fair value of the service is charged to the income statement or against share premium where the warrants or options were issued in exchange for services in connection with share issues. Where the fair value of the services cannot be reliably measured, the payment is valued using Black Scholes valuation methodology taking into consideration the market and non-market conditions described above.

Where the share options are cancelled before they vest, the remaining unvested fair value is immediately charged to the income statement. Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

1 Accounting policies *(continued)*

Intangible Assets – Mineral rights

Mineral rights, included within intangible fixed assets, are recorded at cost less any provision for impairment in value. Amortisation is spread over the estimated life of the commercial ore reserves on a unit of production basis once production commences.

Licences for the exploration of natural resources will be amortised over the shorter of the life of the licence and the estimated life of the commercial ore reserves on a unit of production basis.

Intangible Assets – Unevaluated mineral properties

In accordance with the full cost method, all costs associated with mineral property development and investment are capitalised on a project-by-project basis pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. If a mineral property development project is successful, the related expenditures will be transferred to property plant and equipment and amortised over the estimated life of the commercial ore reserves on a unit of production basis, once production commences. Where a licence is relinquished, a project is abandoned, or is considered to be of no further commercial value to the company, the related costs will be written off.

Impairment of unevaluated mineral properties:

Mineral rights are assessed at each year end and where there are indications of impairment the related costs will be written off. The recoverability of mineral rights is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves. The impairment charge is expensed to the face of the income statement.

A review is performed for any indication that the value of the Group's unevaluated mineral properties may be impaired such as:

- significant changes with an adverse effect in the market or economic conditions which will impact the assets, or;
- obsolescence or physical damage of an asset; an asset becoming idle or plans to dispose of the asset before the previously expected date, or;
- evidence is available from internal reporting that indicates that the economic performance of an asset is or will be worse than expected.

For unevaluated mineral properties when there are such indications, an impairment test is carried out on the cash generating unit. Cash generating units are identified in accordance with IAS 36 'Impairment of Assets', where cash flows are largely independent of other significant assets Groups and are normally, but not always, single development or production areas. When an impairment is identified, the depletion is charged through the income statement if the net book value of capitalised costs relating to the cash generating unit exceeds the associated estimated future discounted cash flows of the related commercial oil and gas reserves.

Investments

In individual company accounts investments in subsidiaries are carried at cost less any provision for impairment.

Advances to Group undertakings

These balances represent cash advances to subsidiaries for the purpose of financing the development of the mineral properties. No interest is charged on these loans repayable on demand. There is currently no intention for these loan balances to be recalled within the year therefore they have been presented as non-current assets.

1 Accounting policies *(continued)*

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is provided on all other items of property and equipment to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Building	–	8.33% per annum straight line
Electronic equipment	–	20% per annum straight line
Leasehold improvements	–	16.67% per annum straight line
Other fixed assets	–	10% per annum straight line
Mineral properties	–	Unit of production basis

Assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest Group of assets in which the asset belongs for which there are separately identifiable cash flows).

Any impairment charge is included in the administrative expenses line item in the income statement, except to the extent they reverse gains previously recognised in the statement of recognised income and expense.

Inventories

Inventories are initially recognized at cost, and subsequently carried at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily interchangeable items.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base. This policy is followed except for where differences arise on the initial recognition of goodwill, goodwill for which amortisation is not tax deductible, the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit and investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either the same taxable Group company or different Group entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

1 Accounting policies *(continued)*

Deferred taxation (continued)

The major components of income tax on the profit or loss from ordinary activities include current and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowed and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Income tax is charged or credited to the income statement, except when the tax relates to items credited or charged directly to equity, in which case the tax is also dealt with in equity.

Provision for abandonment costs

Provision for abandonment costs are recognised at the commencement of production. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding asset of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of production. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the asset.

Leased assets

Where assets are financed by leasing agreements that do not give rights approximating ownership, these are treated as operating leases. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Financial Instruments

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was required. The Group has not classified any of its financial assets as held to maturity or available for sale.

The Group's accounting policy for each category is as follows:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with a maturity of three months or less and other short-term highly liquid investments that are readily convertible into known amounts of cash and overdrafts repayable on demand.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise through the provision of goods and services to customers (i.e. trade receivables) but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at fair value (which is considered to equate to carried cost) less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

1 Accounting policies *(continued)*

Financial liabilities

The Group classifies its financial liabilities into categories depending on the purpose for which the liability was acquired. The Group has not classified any of its liabilities at fair value through profit and loss.

The Group's accounting policy for each category is as follows:

Held at amortised cost

Trade payables and other short-term monetary liabilities are initially recognised at fair value and, where deemed material, subsequently carried at amortised cost using the effective interest method.

Convertible loan notes

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components in accordance with IAS 32 and IAS 39. The amount initially attributed to the debt component is then accounted for as a financial liability measured at amortised cost. Under the terms of the loan notes interest is capitalized into the instrument. Further analysis on the treatment of the Convertible loan notes is disclosed in note 13.

Critical accounting estimates and judgments

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Recoverability of exploration costs and impairment of unevaluated mineral properties

Under the full cost based method of accounting, the Group capitalises the exploration costs until it is capable of determining whether its exploration efforts were successful and, if they were successful, whether any impairment charges may be required to bring the net book values of assets in line with their economic values.

The Group makes certain judgments and estimates in assessing the carrying value of its assets due to the uncertainty surrounding the recoverability and carrying value of unevaluated mineral property costs, which is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves, the costs associated with the development and future profitable production or proceeds from the disposition of recoverable reserves.

Impairment review

The Group makes certain judgements and estimates in assessing the carrying value of its assets due to the uncertainty surrounding the recoverability and carrying value of its producing mineral properties. While conducting an impairment review of its assets, the Group judgements relate to the future commodity prices, mineral reserves/resources, and future development and production costs. Changes in the estimates used can result in significant charges to the income statement.

Share-based payments

The fair value is measured by use of a Black Scholes model which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Management are also required to apply their judgement in assessing a reasonable volatility figure to be applied in the model.

Pan Pacific Aggregates Plc

Notes forming part of the financial statements
for the year ended 31 December 2008 *(continued)*

2 Segmental analysis

The Group operates in one business segment, the extraction of construction aggregates and industrial minerals. The Company has interests in one geographical segment being Canada.

3 Loss from operations

	2008	*2007*
	£'000	*£'000*
This has been arrived at after charging:		
Directors' remuneration	257	187
Employee salaries and other benefits	191	13
Depreciation	44	21
Operating lease expense – Property	66	17
Equity settled share based payment	419	398
Impairment charge	629	–
Analysis of auditors remuneration		
Audit services – statutory audit	30	25
Non-audit services – tax services	3	12

The minimum value of future lease payments under plant and machinery operating lease agreements totals £9,819 due not later than one year end £4,018 in more than one year but not later than five years.

The Company audit fee is borne by the group.

4 Salaries

Group

	2008	*2007*
	£'000	*£'000*
Average number of employees (including Directors)	7	5
Salaries (excluding Directors)	175	220
Pension Government costs	7	2
Social security costs	9	–
Equity settled share based payment	419	398
Directors' remuneration	257	187

Details of the highest paid director are disclosed within the remuneration report on page 8.

Only the Directors are deemed to be key management. The Equity settled share based payment that relates to key management was £299,000 (2007 – £238,000).

The average number of employees in the Company was 3 (2007 – 3). Salaries of the Company were £nil (2007 – £187,000). Pension Government costs are £nil in the Company in both the current and prior period. The number and salaries of employees working at the Pumptown Quarry Inc operations were assumed to be nil due to the quarry closure shortly after the acquisition. The entire expense of equity settled share based payments belongs to the Company. Director's remuneration in the Company was £257,000 (2007 – £187,000).

5 Financial Income and Expense

Finance income during the year relates to interest income from bank deposits amounting to £15,000 (2007 income of £34,000) and finance expenses amounting to £1,085,000 (£67,000 paid and £1,018,000 capitalized) (2007 interest of £1,057,000 was capitalized within the loan). No amounts were accrued as payable at year.

6 Taxation

There is no tax charge arising for the Group for the year, either in the UK or overseas.

The tax assessed for the year is different than the standard rate of corporation tax in the UK. The differences are explained below:

	2008 *£'000*	*2007* *£'000*
Loss on ordinary activities	(3,329)	(2,279)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2007 – 30%)	(932)	(684)
Disallowed expenditure	293	119
Accelerated capital allowances	(7)	-
Tax losses carried forward	639	565
Tax credit for the year	(7)	-

Factors that may affect future tax charges

At 31 December 2008, the group had tax losses totalling approximately £4,227,000 (2007 – £1,945,000) carried forward which will be utilised against future profits. A deferred tax asset has not been recognized for deductible temporary differences or unused tax losses as there is an uncertainty as to the recoverability,at the year end the unrecorded the deferred tax asset would have been £1,184,000 (2007 – £584,000).

7 Loss per share

Loss per ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue for the year is 187,597,232 (2007 – 64,136,765) and the losses for the Group for the year are £3,329,000 (2007 – £2,279,426). Due to the losses incurred during the year, a diluted loss per share has not been calculated as the options as noted in note 16, are considered to be anti-dilutive.

8 Intangible assets

Group	*Mineral rights £'000*	*Unevaluated mineral properties £'000*	*Total £'000*
Cost			
At 1 January 2007	568	3,675	4,243
Additions	20	401	421
At 31 December 2007	588	4,076	4,664
Net book value			
At 31 December 2007	588	4,076	4,664
Cost			
At 1 January 2008	588	4,076	4,664
Transfers	–	(881)	(881)
Additions	–	52	52
At 31 December 2008	588	3,247	3,835
Net book value			
At 31 December 2008	588	3,247	3,835

The unevaluated mining properties relate to the Group's assets in British Columbia.

During the period the directors reviewed the categorisation of the Wood Bay property and decided to reclassify it as property, plant and equipment. The value of the transfer was £881,000.

9 Property, plant and equipment

Group	*Land & Buildings* £'000	*Leasehold improvements* £'000	*Mineral Properties Mining Assets* £'000	*Other* £'000	*Total* £'000
Cost					
At 1 January 2007	66	22	–	88	176
Additions	–	–	–	1	1
Disposals	–	(18)	–	–	(18)
At 31 December 2007	66	4	–	89	159
Depreciation					
Charge for the year	6	4	–	11	21
Net book value					
At 31 December 2007	60	–	–	78	138
Cost					
At 1 January 2008	66	4	–	89	159
Additions	–	–	–	24	24
Transfers	881	–	–	–	881
Acquired through acquisition (see Note 19)	–	–	2,804	18	2,822
At 31 December 2008	947	4	2,804	131	3,886
Depreciation					
At 1 January 2008	6	4	–	11	21
Charge for the year	7	–	26	11	44
At 31 December 2008	13	4	26	22	65
Net book value					
At 31 December 2008	934	–	2,778	109	3,821

The mineral properties mining assets included above relate to the Pumptown quarry asset acquired under the acquisition detailed in note 19. In order to bring the quarry into successful production the Group requires the final court acceptance of the creditor's proposal, the approval of the by-pass road plan and its construction and the successful ratification of the Company's permitting application by Abbotsford Council.

The Directors are pleased to report that following recent developments the proposal was approved at a meeting of creditors on 26 June 2009 and their permit and access applications were approved to proceed to a public information meeting expected to occur in July 2009.

Whilst there is no certainty that the necessary approval will be received, the Directors are confident that, having made appropriate enquiries, the Group will receive the necessary approvals required to ensure that the assets can be brought into production. No provision for any impairment in the value of these assets has been made within these financial statements.

10 Investments and advances

Company	*Investment in subsidiaries* *£'000*	*Loans to subsidiary undertakings* *£'000*	*Total* *£'000*
Cost			
At 1 January 2007	776	5,532	6,308
Additions and advances during the year	–	1,055	1,055
At 31 December 2007	776	6,587	7,363
Provision			
At 1 January 2007	–	–	–
Provision in the year	–	2,672	2,672
At 31 December 2007	–	2,672	2,672
Net book value			
At 31 December 2007	776	3,915	4,691
Cost			
At 1 January 2008	776	6,587	7,363
Additions and advances during the year	1,804	129	1,933
At 31 December 2008	2,580	6,716	9,296
Provision			
At 1 January 2008	–	2,672	2,672
Provision in the year	727	129	856
At 31 December 2008	727	2,801	3,528
Net book value			
At 31 December 2008	1,853	3,915	5,768

The Company has recorded a provision of £856,000 (2007 – £2,672,000), which is based on directors review of the underlying value of the net assets of the subsidiaries, which is deemed to equate to the recoverable amount of the subsidiary undertakings.

The principal subsidiaries of the Group, all of which have been included in these consolidated financial statements are as follows:

Name	*Country of incorporation and operation*	*Proportion of interest ownership*	*Nature of operations*
Pan Pacific Aggregates Ltd	Canada	100%	Exploration stage
Consolidated Tri-Sil Minerals Inc	Canada	97.3%	Exploration stage
Global Industrial Services Canada Inc	Canada	100%	Exploration stage
Pumptown Quarry Inc	Canada	100%	Quarry
Pan Pacific Equipment Ltd	Canada	100%	Equipment leasing

11 Inventories

	2008 £'000	2007 £'000
Crushed aggregate	126	–

12 Receivables

	Group 2008 £'000	*Group 2007 £'000*	*Company 2008 £'000*	*Company 2007 £'000*
Goods and services tax recoverable	3	2	–	–
Prepaid expenses	–	8	–	8
Security deposit for reclamation bond	37	20	–	–
Total receivables	40	30	–	8

The carrying values of the Group's trade and other receivables are denominated in the following currencies:

	2008 £'000	*2007 £'000*
Canadian Dollars	40	22
UK Sterling	–	8
Total	40	30

All amounts shown under receivables fall due for payment within one year.

13 Current liabilities

	Group 2008 £'000	*Group 2007 £'000*	*Company 2008 £'000*	*Company 2007 £'000*
Loan Notes	4,571	4,634	4,571	4,634
Trade payables	267	83	84	20
Royalty payable (see below)	171	105	–	–
Mortgage loan	894	–	–	–
	5,903	4,822	4,655	4,654

All amounts fall due for payment within one year.

As at 31 December 2008 the Company has a continuing commitment with Rudy C Riepe ("Riepe"), whereby a minimum annual royalty of C$100,000 is payable by Global Industrial Services Canada Inc to Riepe starting June 2006. The total amount accrued at 31 December 2008 is C$306,458 (£171,244) (2007 – C$206,458 (£105,336)). The company is in discussions with Riepe to renegotiate the terms of the commitment as it has not been able to meet the payment terms.

Subsequent to the year end further payments may become payable to Riepe (under the minimum royalty terms of the agreement) dependent on whether a large producer permit is granted to the Group. This cannot currently be reliably assessed and therefore no provision for this amount has been made in the financial statements.

The mortgage pays interest at a rate of 16 per cent. per annum on a monthly basis. The loan is secured on the land owned by Pumptown Quarry Inc. The mortgage was originally due for repayment by 31 March 2009, subsequent to the year end the term of the loan note was extended until 30 September 2009.

On 12 June 2006 the Company subscribed a Convertible Loan Note with RAB Special Situations (Master) Fund Limited ("RAB") for £2,000,000. The terms of this loan were assumed under the new loan agreement with RAB dated 10 April 2007. Under the new loan with RAB the Company entered into an agreement for convertible loan notes totalling £4,250,000 which would be issued on 3 completion dates. As at 31 December 2008 the Company had drawn down the first stage loan totalling £1,500,000 plus the existing £2,000,000 loan. The terms of the new facility including the existing £2,000,000 loan were as follows:

- The loans are convertible at the option of the loan note holder, however the loan note holder cannot force cash settlement. The loan notes are secured on the non-pumptown assets of the group.
- The loan notes attract interest at 2.0 per cent. per month, which is capitalised against the corresponding loan amount, however if the loan notes have not been redeemed by 31 December 2008, then an additional 0.5 per cent. interest per month will accrue thereafter.
- The interest element, which has been capitalised against the loan note liability, is redeemable at the same time as the loan note redemption occurs. The interest element only can be settled, at the option of the loan note holder, either by the issue of company shares, per the same conversion terms below, or settled in cash.
- Conversion will occur at the lesser of 33 pence per ordinary share or a 10 per cent. discount on the average of the volume weighted average price over the 60 consecutive trading days immediately prior to the business day on which the conversion notice is lodged.
- In addition should conversion of the Loan Notes take place the Loan Note holder will be issued with one warrant to subscribe for One Ordinary Share for every Two Ordinary Shares issued on conversion of the Loan Notes. The warrant exercise price will be the same as the conversion price and will be eligible for conversion for 2 years from the date of issue.

13 Current liabilities *(continued)*

On 29 February 2008, RAB Special Situations (Master) Fund Limited converted to shares £821,229 of Secured Convertible Loan Notes issued by the Company arising from the capitalisation of interest, resulting in the issue of 32,242,994 new ordinary shares in the Company, at a conversion price of 2.547 pence per share (the 'Conversion Price').

RAB has also been issued with a further 10,208,088 new ordinary shares in satisfaction (at the Conversion Price) of a redemption premium of £260,000 payable on the first redemption or conversion of any of the Loan Notes. In addition, RAB has been issued with warrants over a further 16,121,497 ordinary shares in the Company, which can be exercised at the Conversion Price within the 2 years from the date of issue. RAB now holds a total of 55,557,832 ordinary shares in the Company, or approximately 19.2 per cent. of the issued share capital as at 31 December, 2008.

As at 31 December 2008, interest payable (2 per cent. per month) of £821,229 has been accrued and rolled up into the Loan Note balance in accordance with the Loan Notes Agreement.

Subsequent to the year end the terms of the RAB loan note were subject to an agreed deed of variation see note 22 for further details.

Under the terms of IAS 32 the convertible loan notes constitute a pure liability with no equity element, the basis for this accounting treatment is that the convertible loan notes do not meet the criteria to recognize an equity element for the conversion rights because should the conversion option be exercised the loan would be settled for a variable number of ordinary shares rather than a fixed number. The weighted average interest rate on the loans during the year was 24 per cent. (2007 – 24%).

14 Share capital

		Allotted, called up and fully paid ordinary shares of £0.001 each		*Share*
	Authorised			*Premium*
Group and Company	*Number*	*Number*	*£'000*	*£'000*
As at 1 January 2007 and 2008	100,000,000	64,136,765	64	5,342
Increase in authorised shares	700,000,000	–	–	–
Conversion of Loan Notes	–	42,451,082	42	1,039
Issue of warrants on loan note conversion	–	–	–	(72)
Issue of shares	–	182,000,000	182	2,438
Issue costs	–	–	–	(66)
As at 31 December 2008	800,000,000	288,587,847	288	8,681

On 29 February 2008, the holder of the Secured Convertible Loan Notes converted £1,081,229 of debt arising from the capitalisation of interest and redemption premium, to 42,451,082 ordinary shares at a conversion price of 2.547p per share.

On 11 June 2008, the Company issued 80,000,000 shares at a value of £1,600,000 or 2p per share for the acquisition of Pumptown Quarry Inc. and CNI Equipment Ltd. In July 2008 new shares of 102,000,000 shares were issued for 1p per share and a value of £1,020,000.

There were no Share issues during the year ended 31 December 2007. See post balance sheet note for further details on share capital issues subsequent to the year end.

15 Share based payments

Share options

At 31 December 2008, the following share options and warrants have been granted and are outstanding in respect of the ordinary shares:

	Number of options			
Exercise price	*Granted*	*Exercised*	*Outstanding*	*Final vesting date*
At 31 December 2005 – £0.80	4,150,000	–	4,150,000	16 December 2008
Lapsed during 2006	(600,000)	–	(600,000)	
At 31 December 2006 – £0.80	3,550,000	–	3,550,000	16 December 2008
Lapsed during 2007	(875,000)	–	(875,000)	
Cancelled during 2008	(2,675,000)	–	(2,675,000)	16 December 2008
Balance 25 July 2008	–	–	–	
New share options				
Issued 25 July 2008 – £0.03	5,250,000	–	5,250,000	25 July 2018
At 31 December 2008 – £0.03	5,250,000	–	5,250,000	25 July 2018

All share options granted and outstanding at the 31 December 2007 were cancelled at an AGM on 25 July 2008.

On 27 May 2008, a resolution was passed authorising the Directors to allot and grant share options up to an aggregate nominal amount of £154,151. During 2008, 5,250,000 new share options were granted at an exercise price of 3 pence. The options vest immediately on issue and are exercisable at any time for up to ten years from the date of grant, the options are are exercisable whilst the option holder remains in the service of the company and for a period of 6 months thereafter. The 2,000,000 share options issued to Donald Nicholson lapsed six months after his resignation.

Fair Value of options

Inputs to the valuation model

The fair value of awards granted under the Share Option Plan have been calculated using the Black Scholes pricing model that takes into account factors specific to share incentive plans such as the vesting periods of the Plan, the expected dividend yield on the Company's shares and expected early exercise of share options.

Grant date	*25 July 2008*	*20 October and 1 November 2005*
Share price at date of grant	£0.024	£0.80
Exercise price	£0.03	£0.80
Volatility[(1)]	57%	51%
Option life	10 years	5 years
Dividend yield	0%	0%
Risk-free investment rate	5.0%	4.37%
Employee turnover	0	0

(1) Volatility for the 2008 options has been based on the annualised volatility of the Company's shares since flotation on the AIM market. The Volatility for the 2005 options was based on the annualised volatility of the Company's shares since flotation on the AIM market and the volatility of comparable listed companies in the mining, oil and gas sector, based on historical share price information from the London Business School for a ten year period dating back to 1995.

15 Share based payments *(continued)*

Based on the above assumptions, the fair values of the options granted are estimated to be:

Grant date	*25 July 2008*	*20 October and 1 November 2005*
Fair value	£0.01637	£0.39

Expense arising from share-based payments

Based on the fair values shown above, the expense arising from share options in the year was a charge of £418,449 (2007 – £259,560), (£332,506 for 2005 options and £85,943 for options issued in 2008) through the current years income statement and a reserves transfer totalling £1,154,085 from share option reserve to retained deficit, for options cancelled, which was released directly to equity.

Warrants

At 31 December 2008:

	Number of warrants			
	Granted	*Exercised*	*Outstanding*	*Final exercise*
16 March 2005 – £0.30	7,500,000	–	7,500,000	16 March 2007
12 December 2005 – £0.30	416,667	–	416,667	16 December 2007
12 December 2005 – £0.80	635,618	–	635,618	16 December 2007
Cancelled during 2007	(8,552,285)	–	(8,552,285)	
At 31 December 2007	–	–	–	
29 February 2008 – £0.02574	16,121,497	–	16,121,497	29 February 2010
At 31 December 2008	16,121,497	–	16,121,497	

During 2005 the Group issued 8,522,285 warrants to various institutions, which had a two year exercise life. During 2007 all of these warrants lapsed unexercised.

On 29 February 2008 RAB Special Solutions LP ('RAB') was granted 16,121,497 warrants. The warrants are exercisable in whole or part at any time until 29 February, 2010.

Inputs to the valuation model

The fair value of the warrants issued have been calculated using the Black Scholes pricing model that takes into account factors specific to warrant issues as per share options explanation, the inputs are as follows:

Grant date	*28 February 2008*
Share price at date of grant	£0.018
Exercise price	£0.025
Volatility (see share options for volatility assumption)	57%
Option life	2 years
Dividend yield	0%
Risk-free investment rate	5%

15 Share based payments *(continued)*

Based on the above assumptions, the fair values of the warrants granted are estimated to be:

Grant date	*28 February 2008*
Fair value	£0.0045

Accounting for warrant issue

The warrants issued have no impact upon net assets, loss before or after taxation, or cash flows for the preceding period. The warrants were issued, alongside the issue of shares described in note 14, as part settlement of a portion of the RAB loan described in note 13. The effect is that the proceeds have been allocated to warrant reserve on a fair value basis.

16 Reserves

Group	*Share premium account £'000*	*Foreign exchange reserve £'000*	*Reserve for options granted £'000*	*Reserve for warrants granted £'000*	*Retained earnings £'000*	*Total £'000*
As at 1 January 2007	5,144	(307)	562	198	(3,015)	2,582
Warrants lapsed	198	–	–	(198)	–	–
Loss for year	–	–	–	–	(2,279)	(2,279)
Share based payment	–	–	398	–	–	398
Options forfeited	–	–	(138)	–	138	–
Foreign exchange movement	–	(14)	–	–	–	(14)
As at 31 December 2007	5,342	(321)	822	–	(5,156)	687
As at 1 January 2008	5,342	(321)	822	–	(5,156)	687
Conversion of debt	926	–	–	–	–	926
Issue of new shares and warrants	2,413	–	–	72	–	2,485
Loss for year	–	–	–	–	(3,329)	(3,329)
Share based payment	–	–	418	–	–	418
Options forfeited	–	–	(1,154)	–	1,154	–
Foreign exchange movement	–	(132)	–	–	–	(132)
As at 31 December 2008	8,681	(453)	86	72	(7,331)	1,055

The share premium account holds the balance of consideration received in excess of the par value of the shares. The share premium account can be used to pay any unpaid subscriptions. Share issue costs are set against this reserve as appropriate.

The foreign exchange reserve relates to the differences arising on translation of the overseas subsidiaries transactions from C$ into £ in accordance with the accounting policy set out in note 1.

The reserves for warrants and options granted relates to the fair value of services received and stock options awarded (see note 15 for further details of these reserves). Retained deficit can be used in future years to accumulate and offset future profit and loss from ordinary activity.

16 Reserves *(continued)*

Company	*Share premium account* £'000	*Reserve for options granted* £'000	*Reserve for warrants granted* £'000	*Retained earnings* £'000	*Total* £'000
As at 1 January 2007	5,144	562	198	(1,068)	4,836
Loss for year	–	–	–	(4,546)	(4,546)
Warrants lapsed	198	–	(198)	–	–
Options forfeited	–	(138)	–	138	–
Share based payment	–	398	–	–	398
As at 31 December 2007	5,342	822	–	(5,476)	688
As at 1 January 2008	5,342	822	–	(5,476)	688
Share issued on conversion of debt	967	–	72	–	1,039
Issue of new shares and warrants	2,372	–	–	–	2,372
Loss for year	–	–	–	(3,462)	(3,462)
Share based payment	–	418	–	–	418
Options forfeited	–	(1,154)	–	1,154	–
As at 31 December 2008	8,681	86	72	(7,784)	1,055

17 Financial instruments

The Group and Company financial instruments, other than its investments, comprise loan notes, cash and items arising directly from its operation such as trade payables.

Management review the Group and Company's exposure to currency risk, interest rate risk, liquidity risk on a regular basis and consider that through this review they manage the exposure of the Group and Company. No formal policies have been put in place in order to hedge the Group and Company's activities to the exposure to currency risk or interest risk, however, as the Group enters commercial production this may be considered.

There is no material difference between the book value and fair value of the Company and Group's cash and other financial instruments including the convertible loan note, because the convertible loan notes have reached their redemption date of 31 December 2008 and are therefore repayable on demand. Further information on the loan notes issued is disclosed in note 13.

Currency risk

The Group and Company have five overseas subsidiaries all of which operate in British Columbia and whose expenses and revenues are mainly denominated in C$. Foreign exchange risk is inherent in the Group's activities and is accepted as such. The majority of Parent Company expenses are denominated in Sterling.

The Group and Company are therefore exposed to currency rate fluctuations of the Canadian Dollar versus Sterling, and measures its foreign currency risk through a sensitivity analysis considering 10 per cent. favourable and adverse changes in market rates on exposed monetary assets and liabilities denominated in Canadian Dollar. At 31 December 2008 or 31 December 2007, a 10 per cent. devaluation of the Canadian Dollar against Sterling would not have resulted in material gain nor would a 10 per cent. revaluation of the Canadian Dollar against Sterling would not have resulted in a material loss.

17 Financial instruments *(continued)*

Interest rate risk

The Group and Company manage the interest rate risk associated with the Group cash assets by ensuring that interest rates are as favourable as possible, whilst managing the access the Group requires to the funds for working capital purposes.

Interest rates are based on respective US LIBOR and other bank prime interest rates.

The Company's loan note borrowings are not exposed to a risk of changes in interest rates because the relevant interest rate payable is defined within the loan note agreement. The Company's cash and cash equivalents are subject to interest rate exposure due to changes in interest rates. Short-term receivables and payables are not exposed to interest rate risk. The following table shows the period in which interest-bearing financial assets and liabilities reprise:

	Average interest rate				
Group	*Contractual*	*Effective*	*0-6 mths*	*4-5 years*	*Total*
2008	*%*	*%*	*£'000*	*£'000*	*£'000*
Financial Assets					
(Loans and receivables)					
Cash and cash equivalents	0.6% annual	0.6%	238	-	238
Financial Liabilities					
(held at amortised cost)					
Convertible loan notes	2% monthly	26.8%	4,571	-	4,571
Mortgage	16% annual	16%	894	-	894
Trade and other payables	0%	0%	438	-	438

	Average interest rate				
	Contractual	*Effective*	*0-6 mths*	*4-5 years*	*Total*
2007	*%*	*%*	*£'000*	*£'000*	*£'000*
Financial Assets					
(Loans and receivables)					
Cash and cash equivalents	4% annual	4%	742	-	742
Financial Liabilities					
(held at amortised cost)					
Convertible loan notes	2% monthly	24.34%	-	4,571	4,571
Trade and other payables	0%	0%	84	-	84

A 1 per cent. increase or decrease in the floating rate attributable to the cash balances held at the year end would result in interest receivable being £2,380 higher or lower respectively (2007 – £7,418).

Included above are amounts of £215,313 held within floating rate deposit accounts. Interest rates are based on respective bank prime interest rates.

17 Financial instruments *(continued)*

Company			*0-6 mths*	*4-5 years*	*Total*
2008	*%*	*%*	*£'000*	*£'000*	*£'000*
Financial Assets					
(Loans and receivables)					
Cash and cash equivalents	0.6% annual	0.6%	230	230	
Financial Liabilities					
(held at amortised cost)					
Convertible loan notes	2% monthly	26.8%	4,571	4,571	
Trade and other payables	0%	0%	84	–	84

	Average interest rate				
	Contractual	*Effective*	*0-6 mths*	*4-5 years*	*Total*
2007	*%*	*%*	*£'000*	*£'000*	*£'000*
Financial Assets					
(Loans and receivables)					
Cash and cash equivalents	4% annual	4%	707	–	707
Financial Liabilities					
(held at amortised cost)					
Convertible loan notes	2% monthly	24.34%	–	4,634	4,634
Trade and other payables	0%	0%	20	–	20

A 1 per cent. increase or decrease in the floating rate attributable to the cash balances held at the year end would result in interest receivable being £2,300 higher or lower respectively (2007 – £7,085).

Liquidity risk

At the year end the Group had a cash balance of £237,987 that was comprised of the following balances:

	2008	*2007*
	£'000	*£'000*
British Pounds	230	707
Canadian Dollars	8	35
	238	742

The following tables illustrates the contractual maturity analysis of the Group's financial liabilities, including the liabilities that must be settled gross based, where relevant, on balance sheet interest rates and exchange rates prevailing at the balance sheet date.

Maturity analysis of the financial liabilities is as follows:

	2008	*2007*
Analysis of Current liabilities	*$'000*	*$'000*
Up to 3 months	5,903	188
3 to 6 months	–	4,634
Over 6 months	–	–
Total	5,903	4,822

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due until it has operating assets which are profitable.

17 Financial instruments *(continued)*

Further details regarding the timing of repayments of the current liabilities is described in note 13.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 12 months or further funding. The financing of the Group is considered further in the Managing Director's Statement on pages 4 to 7.

Capital management policies

The Group considers its capital to comprise its ordinary share capital, share premium, retained deficit and the funding provided through loan notes issued.

In managing its capital, the Group's primary objective is to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, through new share issues, the Group considers not only its short-term position but also its long-term operational and strategic objectives. These objectives and the financing of the Group is considered further in the Managing Director's Statement on pages 4 to 7.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterpart to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices. The Group's review includes external credit ratings, when available. Potential customers that fail to meet the Group's benchmark credit worthiness may transact with the business on a prepayment basis only. The Group monitors its trading with the customer and ensures payment is made on a regular basis.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Group reviews the banks and financial institutions it deals with to ensure that standards of credit worthiness are maintained. The Group actively monitors the credit-worthiness of the financial institutions that it hold deposits with.

The Group does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated.

18 Related Parties

During the year, the company has paid to its Director William Voaden, consultancy fees and director fees in the amount of £141,333 (2007 – £70,000). Details of directors' remuneration are given in the remuneration report on page 7 and 8. The company paid £66,000 (2007 – £24,000) to VSA Resources, a company related to William Voaden, company director, for professional services rendered, a further £nil (2007 – £75,000) was paid to William Voaden in respect of the refinancing of the Group. In addition the Group paid £nil (2007 – £10,200) to Iannacone Holdings, a company related to Donald Nicholson, for management services provided, while he was a director.

During the period the group made payments to Colombia National Investments Inc., a shareholder in Pan Pacific Aggregates plc after the acquisition, note 19, totalling £14,000 (2007 – £nil) for various administrative and sercretarial services. In addition the group made lease payments, which were based on the payments made to the third party lessor.

19 Acquisitions during the period

On 11 June 2008 the Group acquired for Colombia National Investments Inc. under a contractual agreement, 100 per cent. of the voting equity instruments of Pumptown Quarry Inc. and CNI Equipment whose principal activities are a rock quarry and equipment lease operator, located in British Columbia, Canada.

Details of the book and fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

Fair value of assets acquired

	Book Value £'000	*Fair Value £'000*
Assets		
Mineral properties	386	2,804
Plant & equipment	18	18
Inventories	72	72
Receivables	86	86
Cash & cash equivalents	(8)	(8)
Total assets	554	2,972
Liabilities		
Mortgage loan	813	813
Trade payables	164	164
Non-current deferred tax	–	820
Total liabilities	977	1,797
Net assets acquired	(423)	1,175
Consideration paid		
Cash		204
80,000,000 shares		1,600
Total consideration		1,804
Goodwill acquired (see below for impairment)		629

The fair value of the shares issued was determined by reference to their quoted market price of £0.02 at the date of acquisition. Since acquisition the Pumptown Quarry Inc. and CNI Equipment have contributed £146,000 to Group revenue and £407,000 to the Group's loss.

Due to a volume and significance of the number of accounting adjustments posted, it is considered to be misleading to present pre-acquisition income statement results.

Goodwill does not generate independent cash flows from the other assets or Group of assets; therefore the goodwill has been allocated to the cash generating units of the intangible mineral rights acquired under the acquisition. The losses incurred in the subsidiary pre-acquisition alongside the identification of significant claims against the companies adjustments indicated that there was evidence of impairment to these assets at the acquisition date. The Directors have assessed the assets based on the higher of value in use and proceeds less cost to sell. The Directors therefore established that the recoverable amount was based on the value in use calculations for all cash generating units less than the combined carrying value of the acquired assets and goodwill. The Directors have allocated the impairment against the goodwill first, therefore the total impairment charge of £629,000 has impaired the acquired goodwill in full. The details of the acquisition are further discussed in the Managing Director's Statement.

The value in use was based upon a discount rate of 25 per cent. The impairment charge was booked within administrative expenses in the income statement.

20 Deferred tax

Details of the deferred tax liability, amounts charged/(credited) to the consolidation income statement and amounts charged/(credited) to reserves are as follows:

	Liability 2008 £'000	*Credited to income 2008 £'000*
Acquired during the year (note 19)	820	–
Accelerated capital allowances	(7)	7
At 31 December 2008	813	7

21 Leases

Operating leases

The Group has entered into operating leases for storage trailers, trucks and automobiles which are located in Canada. The leases vary for 1 year to 3 years and the minimum lease payments are as follows;

	2008 £'000	*2007 £'000*
Not later than one year	10	7
Later than one year and not later than five years	4	3

22 Post balance sheet events

On 18 March 2009 the Group announced that it had reached an agreement with HSBC Bank of Canada ("HSBC") to settle a CAD$1,652,000 (£923,111) claim served against its subsidiary Pumptown Quarry Inc., ("Pumptown") for CAD$150,000, (£83,817).

On 27 March 2009 the Company sent a circular to shareholders and holders of warrants and holders of secured convertible loan notes in the capital of the Company. The circular provided notice of a General Meeting of the Company on 14 April 2009 in London. The purpose of the meeting of shareholders was to consider the issue of additional ordinary shares £0.001 each, in the capital of the Company for the purposes of a private placing and approving the required increase in the authorised share capital of the Company. The shareholder resolution to increase share capital of the Company by £400,000 from £800,000 to £1,200,000 and other resolutions were approved.

During the months of April, May and June 2009 the Company issued 378,166,666 ordinary shares of the Company for £582,250 before expenses (15,000,000 at £0.0025 per share and 363,166,666 at £0.0015 per share).

On 27 March 2009, the Company entered into a Deed of Variation with RAB Special Situation (Master) Fund Limited ("RAB) providing for the terms of its Loan Notes to be varied, subject to various conditions being met. The principal changes and conditions set out in the Deed of Variation are as follows:

(a) RAB agree not to exercise any rights to redeem or require repayment of or convert or transfer the Loan Notes during the period ending on the earlier of (i) the Effective Date (as defined therein) and (ii) 30 May 2009;

(b) the Variation will be conditional upon at least the gross amount of £300,000 being raised under the Placing, whereupon the interest accruing on the principal amount of the outstanding Loan Notes (including capitalised interest) shall be 6 per cent. per annum;

22 Post balance sheet events *(continued)*

(c) the Company would be required to procure that the Wood Bay property is put on the market within 14 days of the completion of the proposed Placing and procure that the Company would then pay the net sale proceeds to RAB on completion of the sale, such proceeds to be applied in discharging the outstanding principal amount of Loan Notes;

(d) if the Company is able to raise a further £2,500,000 by way of a further share issue at any time prior to 31 March 2010, it shall be entitled to discharge all of its obligations under the Loan Notes by paying to RAB the interest accrued at 6 per cent. per annum from the date of the Variation, together with the amount of £750,000 (in addition to the net proceeds from the sale of the Wood Bay property), whereupon the remaining principal amount outstanding under the Loan Notes will be convertible into such number of shares as will result in RAB having a fully diluted interest in the issued ordinary shares of the Company in the amount of 10 per cent. of the share capital immediately following such conversion;

(e) RAB shall be entitled to exercise the conversion at any time up to 31 March 2010, unless the Company is able to raise in excess of £2,500,000 prior to 31 March 2010, in which case such conversion shall take place at the time the £750,000 payment is made. No Warrants allowing RAB to increase its 10 per cent. holding will be issued to RAB on such conversion;

(f) in the event that the Company does not raise a further £2,500,000 by way of a further share issue prior to 31 March 2010 or does so but does not repay the Loan Notes, the current terms of the Loan Notes (including conversion rights) shall apply, except that RAB shall be entitled to repayment of all outstanding Loan Notes at any time after 31 August 2010 in cash.

The Deed of Variation became effective in June 2009 and the Wood Bay property has been put on the market for sale. It is expected that the Wood Bay property which has been classified as an intangible asset in the balance sheet will sell for its net book value of £0.9 million in 2009.

In April 2009, CNI Equipment was unable to meet its payment obligations on leased equipment and trucks. This has resulted in a default under the leases. As CNI Equipment does not hold assets and the leases were operating leases, the company will be placed in liquidation and an inter company balance as at 31 December 2008 of £56,241 provided for in full, will be written off.

On 10 June 2009, the HSBC claim and other unrelated unsecured creditors of Pumptown were subject to a Proposal made under the Canadian Bankruptcy and Insolvency Act which was posted to the unsecured creditors on 12 June 2009. The Proposal which offered to pay 9.554 per cent. of proven claims was accepted by a majority of Pumptown creditors on the 25 June 2009. The voting results are subject to approval by the Court which is expected to occur in July 2009, with a payment to follow shortly thereafter.

On 29 June 2009, at the Executive Committee meeting of the City of Abbotsford Council, a report from the Manager, Engineering Inspections and Permits regarding an operating permit application of Pumptown was presented and approved to proceed to a public information meeting which is expected to occur in July.