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Parys Mountain Mines Limited

formerly Parys Mountain Mines (UK) Limited

Directors report and financial statements for the year ended 31 March 2007

Registration Number 939442

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Directors

J F Kearney (Irish)
R I Cuthbertson
W. D. Hooley

Company Secretary

R I Cuthbertson

Registered Office

Parys Mountain
Amlwch
Anglesey
Wales

Auditors

Deloitte & Touche
Chartered Accountants
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

Solicitors

DLA Piper LLP
101 Barbirolli Square
Manchester
M2 3DL

Directors Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2007

Change of name

On 13 March 2007 the company changed its name from Parys Mountain Mines (UK) Limited to Parys Mountain Mines Limited and adopted new Articles of Association accordingly

Principal activity and business review

The business of the company is the development of the Parys Mountain property near Amlwch in the northern part of Anglesey, North Wales

The company is a wholly-owned subsidiary of Anglesey Mining plc. During the year the company earned no income and incurred no revenue expenses. Its administration costs are borne by the parent company

The Parys Mountain property is the largest undeveloped base metal deposit in the United Kingdom and contains a historic resource of 6.5 million tonnes with a combined grade of over 10% copper, zinc and lead with, in addition, small amounts of gold and silver. A feasibility study in 1991 demonstrated the technical and economic viability of bringing the property into production at a rate of 350,000 tonnes per annum, producing zinc, copper and lead concentrates.

During the year the group continued with its exploration programmes, drilling 2,165 metres in 14 diamond core holes. This work added significant shallow discoveries in the White Rock zone near the existing Morris shaft to the Engine zone discoveries in the Garth Daniel area made last year. The company's expenditure on the property during the year was £431,309 (2006 - £400,098)

All of the profit for the year comprises a reversal of the impairment provisions made against the carrying value of the Parys Mountain development expenditure, an intangible asset. These impairment provisions amounting to £7,200,000 were made over the period from 2000 to 2003 during which low metal prices reduced the estimated net present value of the Parys project.

Based on these discoveries and the recent near-record metal price levels, a plan to develop the White Rock area first, and on a smaller scale than the 1991 feasibility study, has been formulated. Because of the work already carried out and the existing valid planning permissions the company believes that the project could be producing ore in less than one year from financing. The capital cost of the White Rock development is estimated to be of the order of £15 million up to the point at which the operation becomes cash flow positive.

In December 2006 the company purchased the freehold of the land on which it operates, from its parent, for £90,000 (2006 - £nil), the cost price originally paid by the parent to a third party.

Revenues from Parys would be derived chiefly from copper and zinc, each providing about 40% of the total, with lead, silver and gold making up the other 20%. Zinc will provide a larger proportion of production in the earlier years of mining. When in full production based on current estimates the mine is expected to produce about 20,000 tonnes of zinc metal, 8,000 tonnes of copper and 7,000 tonnes of lead in concentrates per year.

There are technical and other matters to be addressed to ensure that the project moves towards production speedily, however the directors are of the opinion that this project is at an advanced state and the existence of the original feasibility study, together with the valid planning permissions, will do much to reduce both the volume of work required to move the project into production and the risks associated with this work.

Capital funding for the Parys Mountain project is expected to come from equity, bank project finance and government grants.

Dividend

There is no revenue from the operations of the company. The directors are unable to recommend a dividend (2006 - £nil).

Since the balance sheet date the activities of the company have continued in accordance with the directors' expectations.

Risks and uncertainties

In conducting its business the company faces a number of risks and uncertainties some of which have been described note 4 in regard to Parys Mountain. However there are risks and uncertainties of a nature common to all mineral projects and these are summarised below.

General mining risks

Actual results relating to, amongst other things, mineral reserves, mineral resources, results of exploration, capital costs, mining production costs, reclamation and post closure costs, could differ materially from those currently anticipated by reason of factors such as changes in general economic conditions and conditions in the financial markets, changes in demand and prices for minerals that the company expects to produce, legislative, environmental and other judicial, regulatory, political and competitive developments in areas in which the company operates, technological and operational difficulties encountered in connection with the company's activities, labour relations matters, costs and changing foreign exchange rates and other matters

The mining industry is competitive in all of its phases. The company faces strong competition from other mining companies in connection with the recruitment and retention of qualified employees and other personnel. Many of these companies have greater financial resources, operation experience and technical capabilities than the company.

Metal prices

The company is currently in a development phase. Business conditions are expected to be positive as demands for primary metals, allied to a shortage in supply, will help sustain metal prices which in turn should encourage investor interest in mining and exploration companies.

The prices of metals fluctuate widely and are affected by many factors outside the company's control. The relative prices of metals and future expectations for such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. Metal price fluctuations may be either exacerbated or mitigated by international currency fluctuations which affect the metal price received in the domestic currency.

Funding

The company does not have sufficient funds to put the Parys Mountain mine into production from its own financial resources. The company relies on equity financings by its parent for its working capital requirements and to fund its exploration development activities. There is no assurance that such financing will be available to the company, or that it will be available on acceptable terms.

Permitting, environment and social

The company holds planning permissions for the development of the Parys Mountain property. The company will be required to obtain various other permits to carry out its activities and may be subject to various reclamation and operational conditions on these permits. There can be no assurance that permitting or environmental laws, regulations or requirements will not change in the future in a manner that could have an adverse effect on the company's activities and financial condition and no provision has been made in the accounts for any such potential liability.

Employees and personnel

The company is dependent on the services of a small number of key executives and a limited number of other skilled and experienced personnel. Due to the relatively small size of the company, the loss of these persons or the company's inability to attract and retain additional highly skilled and experienced employees may adversely affect its business or future operations. However the location of the Parys Mountain project in particular remains attractive compared to a number of other similar mining projects in various developing countries and this should mitigate these potential difficulties to a significant extent.

Events since year end

There have been no significant events since the year end.

Directors and directors' interests

The directors who held office during the year were as follows

J. F. Kearney (Irish)

W. D. Hooley

R. I. Cuthbertson

None of the directors has any interests in the shares of the company which are required to be disclosed. The company is a wholly owned subsidiary of Anglesey Mining plc and the interests of the directors who are also directors of the parent undertaking are disclosed in the financial statements of that company.

Going concern basis

The directors have given careful consideration to the appropriateness of the going concern basis in the preparation of the financial statements. The validity of the going concern basis is dependent on finance being available for the continuing working capital requirements of the company and finance for the development of the Parys Mountain property becoming available when required. The directors believe, based on ongoing support from the parent in respect of continuing working capital requirements, that, whilst there is uncertainty as to whether the conditions above will be met, the going concern basis is appropriate for these financial statements.

Auditors

To the best of the directors' knowledge and belief and having made appropriate enquiries of other officers of the company, all information relevant to enabling the auditors to provide their opinion on the financial statements has been provided. The directors have taken all reasonable steps in order to ensure their awareness of any relevant audit information and to establish the company's auditors are aware of any such information.

A resolution for the re-appointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board



Ian Cuthbertson
Company secretary
21 January 2008

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent;
- state whether UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act, 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' report to the members of Parys Mountain Mines Limited

We have audited the financial statements of Parys Mountain Mines Limited (formerly Parys Mountain Mines (UK) Limited) for the year ended 31 March 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein. This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act, 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors' are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 are properly prepared in accordance with the Companies Act, 1985. We also report to you whether in our opinion the information in the directors' report is consistent with the financial statements. In addition, we 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 the Directors' Report for the above year and 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.

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 judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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.

Opinion

In our opinion:

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

Emphasis of matter - recoverability of intangible assets and going concern

Without qualifying our opinion we have considered the adequacy of the disclosures in the financial statements concerning the recoverability of deferred development costs.

The financial statements disclose the directors' assumption that the deferred development costs in the balance sheet of £13,111,943 (2006 - £5,480,634) will be recovered from future revenues of the mine. The validity of this assumption depends upon the raising of new finance to develop the mine, the viability of the operation of the mine and the ability of the company to trade profitably in the future and the continued financial support of the parent company and the development of economic mineral reserves. Details of the circumstances relating to this material uncertainty are described in note 4 to the financial statements. The financial statements do not include any adjustments that would result if the deferred development costs cannot be recovered.


Deloitte & Touche

Chartered Accountants and Registered Auditors
Dublin

21/1/2008

Profit and loss account for the year ended 31 March 2007

All operations are continuing

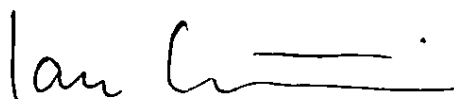
	Notes	2007 £	2006 £
Revenue		-	-
Administration expenses		-	-
Impairment reversal	4	7,200,000	-
Operating profit		7,200,000	-
Profit before tax		7,200,000	-
Tax		-	-
Profit for the year	10	7,200,000	-

The company did not earn income nor incur expenses during the financial year and the preceding financial year. Administration expenses were borne by the parent.

Balance Sheet as at 31 March 2007

	Notes	31 March 2007	31 March 2006
Fixed assets			
Intangible assets	4	13,111,943	5,480,634
Tangible assets	5	90,000	-
Total Fixed Assets		13,201,943	5,480,634
Creditors due within one year			
Accruals	6	(298,624)	(252,624)
Total Current Liabilities		(298,624)	(252,624)
NET CURRENT (LIABILITIES)		(298,624)	(252,624)
Creditors due after more than one year			
Parent company	7	(7,561,319)	(7,086,010)
Provision	8	(42,000)	(42,000)
TOTAL NET ASSETS/(LIABILITIES)		5,300,000	(1,900,000)
Shareholder's funds/(deficit)			
Share capital	9	1,000	1,000
Share premium account		37,461	37,461
Profit and loss account	10	5,261,539	(1,938,461)
TOTAL SHAREHOLDERS' FUNDS/(DEFICIT)	11	5,300,000	(1,900,000)

The financial statements were approved by the board of directors on 21 January 2008 and signed on its behalf by



Ian Cuthbertson
Director and company secretary

Notes to the financial statements for the year ended 31 March 2007**1. Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with accounting standards generally accepted in the United Kingdom and United Kingdom statute comprising the Companies Act, 1985

Accounting convention

The financial statements are prepared under the historical cost convention

Going concern

The financial statements are prepared on a going concern basis. The validity of the going concern basis is dependent on continued parent company support, finance being available for continuing working capital requirements and development funds for the Parys Mountain property becoming available. Based on the assumptions that such support and finance will be available, the directors believe that the going concern basis is appropriate for these accounts. Should the going concern basis not be appropriate, adjustments would have to be made to reduce the value of the company's assets, in particular the intangible fixed assets, to their realisable values.

Intangible fixed assets

Intangible assets as stated in the balance sheet at cost, less amounts written off and provisions for impairment

Mineral property development costs are capitalised until the results of the projects, which are based on geographical areas, are known. Mineral property development costs included allocation of administration and salary costs as determined by management.

An internally-generated intangible asset arising from the group's exploration activities is recognised only if all of the following conditions are met:

- an asset is created that can be identified,
- it is probable that the asset created will generate future economic benefits, and
- the development cost of the asset can be measured reliably

If the project is successful, the related exploration costs are written off over the life of the estimate mineral reserve on a unit of production basis. Where a project is terminated, the related exploration costs are written off immediately. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

2. Remuneration of directors, staff numbers and costs

Other than the directors, the company had no employees during the year or the preceding year. The directors' remuneration is paid by the parent company.

3. Result on ordinary activities before taxation

During the year the company earned no income and incurred no revenue expenses. Administrative costs are borne by the parent company. All of the profit for the year comprises a reversal of the impairment provisions made against the carrying value of the Parys Mountain development expenditure, an intangible asset. These impairment provisions amounting to £7,200,000 were made over the period from 2000 to 2003 during which low metal prices reduced the estimated net present value of the Parys project.

4. Intangible fixed assets

Deferred Development costs

	Parys Mountain £
Cost	
At 1 April 2005	12,280,536
Additions - own expenditure	400,098
At 1 April 2006	12,680,634
Additions - own expenditure	431,309
At 31 March 2007	13,111,943
Impairment provision	
At 1 April 2005	(7,200,000)
Provided in year	-
At 31 March 2006	(7,200,000)
Reversed in year	7,200,000
At 31 March 2007	-
Carrying amount	
Net book value 2007	13,111,943
Net book value 2006	5,480,634

During the year the impairment provisions made against the carrying value of the Parys Mountain development expenditure, an intangible asset, were reversed. These impairment provisions amounting to £7,200,000 were made over the period from 2000 to 2003 during which low metal prices reduced the estimated net present value of the Parys project.

Parys Mountain development expenditure is carried in the financial statements at cost less an impairment provision. The directors have given careful consideration to the value at which this development expenditure should be shown and are satisfied that in the financial environment forecast to prevail over the next few years, the fair value of the project exceeds the value shown in the balance sheet.

The recoverability of the deferred development costs are subject to a number of significant potential risks including

- the raising of new finance to develop the mine,
- the viability of the operation of the mine,
- the ability of the company to trade profitably in the future; and
- the continued financial support of its parent.

Further significant potential risks have been outlined in the Directors' Report.

The realisation of these intangible fixed assets is dependent on the development of economic mineral reserves. Should this prove unsuccessful, the value included in the balance sheet would be written off.

5. Tangible fixed assets**Freehold land**

	£
Opening cost	-
Added in year	90,000
Closing cost	90,000
Opening depreciation	-
Charge for year	-
Closing depreciation	-
Net book value 2007	90,000
Net book value 2006	-

During the year the company purchased the freehold of the land on which it operates, from its parent, at the cost price originally paid by the parent to a third party

6. Creditors due within one year

	2007	2006
	£	£
Accruals	298,624	252,624

7. Creditors due after more than one year

	2007	2006
	£	£
Amounts due to parent company	7,561,319	7,086,010

8. Provisions

	2007	2006
	£	£
Site reinstatement provision	42,000	42,000

9. Called-up share capital

	2007	2006
	£	£
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called-up and fully paid		
1,000 Ordinary shares of £1 each	1,000	1,000

10. Profit and loss account

	2007	2006
	£	£
Deficit at beginning of year	(1,938,461)	(1,938,461)
Profit for the year	7,200,000	-
Profit/(loss) at the end of the year	5,261,539	(1,938,461)

11. Reconciliation of movement in equity shareholder's deficit

	2007 £	2006 £
Shareholder's deficit at beginning of year	(1,900,000)	(1,900,000)
Profit for the year	7,200,000	-
Shareholder's funds/(deficit) at the end of the year	5,300,000	(1,900,000)

12. Parent company, financial support and related party transactions

During the year the company was a subsidiary undertaking of Anglesey Mining plc a company incorporated in England and Wales. Anglesey Mining plc has indicated its willingness to provide financial support to enable the company to continue its activities for 12 months from the date of approval of these accounts.

The company has availed of the exemption provisions in FRS 8 in relation to the disclosures of related party transactions. Copies of the consolidated financial statements of Anglesey Mining plc are available on request from the company's registered office.

13. Commitments and mineral properties

(a) All the mineral reserves delineated to date are under the western portion of Parys Mountain, the freehold of which is owned by other companies in the Anglesey Mining Group. A royalty of 6% of net profits after deduction of capital allowances, as defined for tax purposes, from production of freehold minerals is payable. The mining rights over and under this area, and the leasehold area described in (b) below, are held by the company.

(b) Under a lease from Lord Anglesey dated 18 December 2006, the company holds the eastern part of Parys Mountain, formerly known as the Mona Mine. A annual certain rent of £5,229 is payable for the year beginning 23 March 2007, this rent increases to £10,000 in 2012 and to £20,000 when extraction of minerals at Parys Mountain commences; all of these rental figures are index-linked. A royalty of 1.8% of net smelter returns from mineral sales is also payable. The lease may be terminated at 12 months notice but not before 2012 and otherwise terminates in 2070.

(c) Under a mining lease from the Crown dated December 1991, the company makes an annual lease payment of £1,000. A royalty of 4% of gross sales of gold and silver from the lease area is also payable. The lease may be terminated at 12 months notice and otherwise terminates in 2020.

(d) Under a royalty agreement with Intermine Limited the company is obligated to make payments of Can\$50,000 (c. £22,000) per annum until production commences at the Parys Mountain mine. A royalty of 4% of net profits (as defined after various deductions) generated from production at the mine is also payable. There is an option to buy out the royalty and advance payments. The agreement may be terminated at 12 months notice on abandonment of the property. The company has not paid all of the amounts due under this agreement and has made settlement proposals to Intermine Limited but no understanding has yet been reached. Intermine Limited holds a charge over the mining rights held by the company to secure the payment of royalties in respect of minerals produced in the areas described in (a) and (b) above.