Company registration number 00939442 (England and Wales)

Parys Mountain Mines Limited

Directors' report and financial statements for the year ended 31 March 2011

Contents

Directors	J F Kearney R I Cuthbertson W D Hooley
Company Secretary	R I Cuthbertson
Registered Office	Parys Mountain Amlwch Anglesey LL68 9RE
Auditor	Mazars LLP Chartered Accountants Tower Bridge House St Katharine's Way London E1W 1DD
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 2011

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, a company incorporated in England and Wales

The Parys Mountain property is the largest known base metal deposit in the United Kingdom A feasibility study carried out in 1991 identified a resource of 6 5 million tonnes containing zinc, copper and lead with small amounts of silver and gold This historic resource together with the White Rock JORC compliant resource identified more recently amounts in aggregate to 7 8 million tonnes at 9 3% combined metals The 1991 feasibility study 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 However there was limited development over the period from 1991 to 2003 chiefly due to poor metal prices. Efforts to develop the property since then have been frustrated by factors unrelated to the property itself, such as market conditions and the prices of the metals to be produced

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

Activities during the year have been limited It is intended to pursue the development of the company's Parys Mountain property by undertaking further geological and geophysical work later in 2011

The profit for the year was £12,788 *(2010 profit £10,326)* The company's expenditure on the property during the year was £107,850 *(2010 - £175,994)*.

Dividend

There is no revenue from the operations of the company The directors are unable to recommend a dividend *(2010 - 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 in note 6 with 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, operational experience and technical capabilities than the company.

Metal prices

The company is currently in a development phase and more than usually subject to investor sentiments regarding business conditions in the future, which are extremely hard to predict in the current uncertainties surrounding the state of the world economy

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 loans from its parent for its working capital requirements and to fund its exploration development activities There is no assurance that the parent will have such financing available, or that it will be available on acceptable terms

Exploration for minerals and development of mining operations involve many risks, many of which are outside the company's control The company currently operates in politically stable environments and hence is unlikely to be subject to expropriation of its properties but exploration by its nature is looking into the unknown or little known and unforeseen or unwanted results are always possible

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

J F Kearney

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

Market value of land

Obtaining an accurate estimate for the market value of the company's land is difficult, especially given its historical use The land is carried in the accounts at its cost to the company of £106,000. In the opinion of the directors, the market value of this land is unlikely to be less than this figure.

Creditor payment policy

The company conducts its business on the normal trade credit terms of each of its suppliers and tries to ensure that suppliers are paid in accordance with those terms The group's average creditor payment period at 31 March 2011 was 18 days *(2010 - 6 days)*

Auditor

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 auditor 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 auditor is aware of any such information.

A resolution for the reappointment of Mazars LLP as auditor of the company is to be proposed at the forthcoming annual general meeting

Directors' responsibilities statement

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, 2006 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

Signed on behalf of the board:

Ian Cuthbertson

Ian Cuthbertson

Company secretary

7 October 2011

Report of the Independent Auditor to the members of Parys Mountain Mines Limited

We have audited the financial statements of Parys Mountain Mines Limited for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Balance Sheet, Statement of Recognised Gains and Losses and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view
Our responsibility is to audit and to express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on the other matter prescribed by the Companies Act 2006

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

Emphasis of matter

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures in the financial statements concerning the valuation of intangible assets (note 6) of £13,900,593 (2010 - £13,792,743) in the financial statements
The financial statements and related notes have been prepared based on the validity of the following

- the successful development of Parys Mountain mineral property, and
- the raising of new finance to exploit mineral reserves

No adjustments have been made to the profit and loss account, balance sheet and related notes to reflect changes to these assets' carrying values that might be necessary should the above conditions not be met

Matters on which we are required to report by exception

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

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

Richard Metcalfe (Senior Statutory Auditor)
for and on behalf of Mazars LLP,
Chartered Accountants and Statutory Auditor
Tower Bridge House, St Katharine's Way, London E1W 1DD
7 October 2011

Profit and loss account for the year ended 31 March 2011

	Notes	2011 £	2010 £
Turnover		-	-
Rentals and other income		12,332	9,499
Administration expenses		(116)	(198)
Operating profit	2	12,216	9,301
Interest receivable		572	1,025
Profit before tax		12,788	10,326
Tax		-	-
Profit for the year		12,788	10,326

All operations are continuing

There were no recognised gains or losses during the year other than those recorded in the profit and loss account

Balance sheet as at 31 March 2011

	Notes	31 March 2011	31 March 2010
		£	£
FIXED ASSETS			
Intangible assets	6	13,900,593	13,792,743
Tangible assets	7	295,833	295,261
Total Fixed Assets		14,196,426	14,088,004
CURRENT ASSETS			
Debtors	8	7,437	4,072
Cash at bank & in hand		701	2,869
Total Current Assets		8,138	6,941
CREDITORS			
Amounts due within one year	9	(686,777)	(621,446)
Total Current Liabilities		(686,777)	(621,446)
NET CURRENT LIABILITIES		(678,639)	(614,505)
CREDITORS due after more than one year			
Parent company	10	(13,330,147)	(13,298,647)
Provision for liabilities and charges	11	(42,000)	(42,000)
TOTAL NET ASSETS		145,640	132,852
SHAREHOLDERS' FUNDS			
Share capital	12	1,000	1,000
Share premium account		37,461	37,461
Profit and loss account	13	107,179	94,391
TOTAL SHAREHOLDERS' FUNDS		145,640	132,852

The financial statements were approved and authorised for release by the board of directors on 7 October 2011 and signed on its behalf by

Ian Cuthbertson

Ian Cuthbertson
Director and company secretary
Company registration number 939442

Notes to the financial statements for the year ended 31 March 2011

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 the Companies Act 2006

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

Cash flow statements
Under Financial Reporting Standard 1 - Cash Flow Statements, the company is exempt from the requirement to prepare a cash flow statement on the grounds that the consolidated financial statements of the ultimate parent company contain a group cash flow statement

Property, plant and equipment
Freehold land is stated in the balance sheet at cost The directors consider that the useful life of the land and buildings is so long and their estimated residual value, based on prices prevailing at the date of acquisition, is such that any depreciation would not be material The carrying value is reviewed annually and any impairment in value would be charged immediately to the income statement

Intangible fixed assets
Intangible assets are 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

Where the project is successful, the related exploration costs are written off over the life of the estimated 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

Impairment of tangible and intangible assets
Mineral properties are written down when any impairment in their value has occurred and are written off when abandoned Where a provision is made or reversed it is dealt with in the income statement in the period in which it arises

Provisions
Provisions are recognised when the company has a present obligation as a result of a past event and it is probable that the company will be required to settle that obligation Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee All other leases are classified as operating leases

Mining lease payments are recognised as an operating expense in the income statement on a straight line basis over the lease term There are no financial leases or other operating leases

2. Operating profit

The remuneration of the auditor for the annual audit of the company's financial statements is borne by the parent company, Anglesey Mining plc, a company registered in England and Wales

3. Remuneration of directors, staff numbers and costs

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

4. Result on ordinary activities before taxation

Revenues are in respect of rental income from land owned by the company The company earned no income, and administrative costs were borne by the parent company

5. Taxation

Trading profits for taxation purposes have been offset against losses of other companies using Group Relief Accordingly no provision has been made for Corporation Tax

There are capital allowances, including mineral extraction allowances, of £11 4 million unclaimed and available at 31 March 2011 *(2010 - £11 3 million)*

	2011	2010
	£	£
Current tax	-	-
Deferred tax	-	-
Total tax	-	-

Domestic corporation tax is calculated at 28% *(2010 - 28%)* of the estimated assessed profit for the year

The total charge for the year can be reconciled to the accounting profit or loss as follows

	2011	2010
Profit for the year	12,788	10,326
Tax at the domestic corporation tax rate of 28%	3,581	2,891
Tax effect of		
Tax losses for which no deferred tax asset was recognised	(3,581)	(2,891)
Total tax	-	-

6. Intangible fixed assets

Deferred development costs

	Parys Mountain
Cost	**£**
Opening cost	13,792,743
Additions - own expenditure	107,850
Closing cost	13,900,593
Carrying amount	
Net book value 2011	13,900,593
Net book value 2010	*13,792,743*

Accumulated development expenditure in respect of the company's project is carried in the financial statements at cost, less an impairment provision where there are grounds to believe that the discounted present value of the future cash flows from the project is less than the carrying value or there are other reasons to indicate that the carrying value is unsuitable The company has only one potential cash generating unit

This year the directors carried out an impairment review with an effective date of 23 March 2011 As in previous years, this review was based on an estimate of discounted future cash flows from the development and operation of the Parys Mountain project The directors have used past experience and an assessment of future conditions, together with external sources of information, to determine the assumptions which were adopted in the preparation of a financial model used to estimate the cashflows

The key assumptions utilised were

- The mine will be developed largely as envisaged in the Kilborn Feasibility Study prepared in 1991, except where management has determined otherwise
- All the resources, both historical (including inferred resources) and those more recently estimated under JORC codes, will be developed and produced except that the tonnage of those classified as inferred in the 1991 Feasibility Study will be reduced by 20%
- Capital costs will be estimated at current costs when the expenditure is planned to be incurred, neither revenues nor operating costs will take into account any inflation
- The net present value is at 23 March 2011 and based on the assumption that mine development commences three years after that date
- Base metal prices are based on the 27 month forward prices quoted on the London Metal Exchange at 23 March 2011, the exchange rates used are those of the same day, gold and silver prices are spot rates on 23 March 2011, these rates and prices are tabulated below
- The following principal smelter terms have been estimated by the directors zinc $250 pt treatment with a basis price of $2,500 pt and a +9% / -6% variance, copper $100 pt treatment, $0 10 pt produced refining charge, lead $170 pt
- The discount rate of 10% applied to future cashflows is one which reflects the directors' current market assessment of the time value of money and any risk factors which have not been adjusted already in the preparation of the forecast

Intangible assets continued

Table of assumptions significantly affecting the discounted net present value of Parys cashflows

Parameter	Value	Unit	Sensitivity Factor*
Zinc price	\$2,473	\$/tonne 27 months forward	-
Copper price	\$9,395	\$/tonne 27 months forward	-
Lead price	\$2,580	\$/tonne 27 months forward	-
Silver price	\$36 00	Spot	-
Gold price	\$1,440	Spot	-
Exchange rate £/\$	1 62	LME rate	+230%
Capital expenditure			+560%
Operating costs			+290%
Discount rate	10%		+300%

* The sensitivity factor is the percentage change in each specific assumption which would, on its own, result in a net present value equal to the carrying value of the intangible asset in the accounts Where no factor is shown, there is no change possible which would produce this result All \$ figures are in US dollars

Summary

The estimated net present value of the Parys Mountain project calculated by the directors and based on their estimates of all the required parameters, particularly those set out above, is US\$213 million, equivalent to £131 million The carrying value of the Parys Mountain project is £13 9 million

Estimates of the net present value of any project, and particularly one like Parys Mountain, are always subject to many factors and wide margins of error The directors believe that the estimates and calculations supporting their conclusions have been carefully considered and are a fair representation of the projected financial performance of the project

The calculations above have been repeated using the spot metal prices and exchange rates of 19 July 2011 (major factors exchange rate £/US\$ 1 61, zinc price \$2,438 and copper price \$9,755) and the net present value at 10% on this basis was US\$228 million, equivalent to £141 million

Based on the review set out above the directors have determined that no impairment provision is required in the financial statements at 31 March 2011 in respect of the carrying value of the Parys property

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

7. Tangible fixed assets

Freehold land & buildings

	£
Opening cost	174,687
Added in year	-
Closing cost	174,687
Carrying amount	
Net book value 2011	174,687
Net book value 2010	*174,687*

Deposit with Isle of Anglesey Council

	£
Opening balance	120,574
Interest accumulated in year	572
Closing balance	121,146
Total tangible fixed assets	295,833

This deposit was made in accordance with the terms of a section 106 agreement between the company and the Isle of Anglesey County Council in connection with planning permission for mining at Parys Mountain

8 Debtors

	2011	2010
	£	£
Amounts receivable	7,437	4,072

9. Creditors due within one year

	2011	2010
	£	£
Trade payables	(1,825)	(528)
Accruals	(684,952)	(620,918)
Totals	(686,777)	(621,446)

10. Creditors due after more than one year

	2011	2010
	£	£
Amount due to parent company	(13,330,147)	(13,298,647)

The amount due is unsecured, interest-free and not subject to fixed repayment terms
The carrying value of the loan approximates to its fair value

11. Provision for liabilities and charges

	2011	2010
	£	£
Site reinstatement provision	(42,000)	(42,000)

The provision for site reinstatement covers the estimated costs of reinstatement at the Parys Mountain site of the work done and changes made up to the date of the accounts These costs would be payable on completion of mining activities which is estimated to be in more than 20 years' time or on earlier abandonment of the site There are significant uncertainties inherent in the assumptions made in estimating the amount of this provision, which include judgements of changes to the legal and regulatory framework, magnitude of possible contamination and the timing and extent and costs of required restoration and rehabilitation activity There has been no movement in the year

12 Called-up share capital

	2011	2010
	£	£
Issued		
1000 ordinary shares of £1 each	1,000	1,000

13 Profit and loss account

	2011	2010
	£	£
Profit at beginning of year	94,391	84,065
Profit for the year	12,788	10,326
Profit at the end of the year	107,179	94,391

14. Reconciliation of movement in equity shareholder's funds

	2011	2010
	£	£
Shareholder's funds at the beginning of year	132,852	122,526
Profit for the year	12,788	10,326
Shareholder's funds at the end of the year	145,640	132,852

15. Parent company, financial support and related party transactions

During the year Anglesey Mining plc (Anglesey), a listed company registered in England and Wales with no single controlling party, was the company's ultimate parent Anglesey has indicated its willingness to provide financial support to enable the company to continue its activities for the foreseeable future being a period of at least 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

16. Commitments and mineral properties

(a) Most of the mineral resources delineated to date are under the western portion of Parys Mountain, the freehold and minerals of which is owned by the company 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 also held by the company by virtue of a lease dated 16 September 1971

(b) Under a lease from Lord Anglesey dated 18 December 2006, other companies within the Anglesey Mining group hold the eastern part of Parys Mountain, formerly known as the Mona Mine An annual certain rent of £5,425 is payable for the year beginning 23 March 2010, 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, which was assigned to the company by its parent on 19 June 2007, the company makes an annual lease payment of £5,000 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 It is guaranteed by the company's parent

(d) Under a royalty agreement with Intermine Limited, assigned to the company by its parent on 10 October 2002, the company is obligated to make payments of Can$50,000 (c £32,000) 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 the 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 company to secure the payment of royalties in respect of minerals produced in the areas described in (a) and (b) above

Lease payments

All the company's leases may be terminated with 12 months' notice If they are not so terminated, the minimum payments due in respect of the leases are analysed as follows within the year commencing 1 April 2011 - £47,000, between 1 April 2012 and 31 March 2016 - £205,000 Thereafter the payments will continue at proportionate annual rates, in some cases with increases for inflation, so long as the leases are retained or extended