Company registration number 00939442 (England and Wales)

Parys Mountain Mines Limited

Directors' report and financial statements for the year ended 31 March 2009

Contents

Directors	J.F. Kearney (Irish) R.I. Cuthbertson W. D. Hooley
Company Secretary	R.I. Cuthbertson
Registered Office	Tower Bridge House St Katharine's Way London E1W 1DD
Auditors	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 2009.

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.

The Parys Mountain property is the largest undeveloped base metal deposit in the United Kingdom and contains a resource of 7.7 million tonnes (the majority of which is classed as historic resource) with a combined grade of 9.3% 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.

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.

The sale of the company by its parent to an Australian group which was anticipated during 2008 did not in fact occur.

During the year the company continued with some exploration and development programmes and a significant amount of planning for a start towards development. However activities on site were limited; the last drilling programme was completed in March 2008. In January 2009 a comprehensive geological report on the results of the drilling carried out at Parys Mountain over the previous four year was received from Ore Systems Consulting; it recommends a programme of three short drill holes, each planned to intersect two potential zones of mineralization, to tie down resources at the west end of the property - the White Rock area. The report also brings together the work done in the Garth Daniel area in the east of the property.

The profit for the year was £9,058 *(2008 profit £13,468)*. The company's expenditure on the property during the year was £192,189 *(2008 - £312,617)*.

Dividend

There is no revenue from the operations of the company. The directors are unable to recommend a dividend *(2008 - 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 4 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, operation 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.

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.

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 2009 was 5 days *(2008 - 80 days)*.

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 reappointment of Mazars LLP as auditors of the company is to be proposed at the forthcoming annual general meeting.

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.

Signed on behalf of the board:

Ian C

Ian Cuthbertson

Company secretary

20 July 2009

Independent Auditors' report 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 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. 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.

Fundamental uncertainty

In forming 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 £13,616,749 *(2008 - £13,424,560)* will be recovered from future revenues of the mine. The validity of this assumption depends upon the viability of the operation of the mine and the ability of the company to trade profitably in the future. Details of the circumstances relating to this fundamental uncertainty are described in note 5 to the financial statements.

Our opinion is not qualified in respect of the above fundamental uncertainty.

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 2009 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.

Mazars LLP

Mazars LLP

Chartered Accountants and Registered Auditors
London, 20 July 2009

Profit and loss account for the year ended 31 March 2009

All operations are continuing

	Notes	2009	2008
		£	£
Turnover		-	-
Other income		8,578	11,667
Administration expenses		(2,238)	(1,210)
Impairment reversal		-	-
Operating profit		6,340	10,457
Interest receivable		2,718	3,011
Profit before tax		9,058	13,468
Tax		-	-
Profit for the year	10	9,058	13,468

Statement of recognised gains or losses for the year ended 31 March 2009

All operations are continuing

	Notes	2009	2008
Profit for the year		9,058	13,468
Total recognized gains for the year		9,058	13,468
Prior year adjustment		-	(5,200,000)
Total gains or (losses) recognized since last annual report		9,058	(5,186,532)

Balance Sheet as at 31 March 2009

	Notes	31 March 2009 £	*31 March 2008*
FIXED ASSETS			
Intangible assets	5	13,616,749	*13,424,560*
Tangible assets	6	294,236	*291,610*
Total Fixed Assets		13,910,985	*13,716,170*
CURRENT ASSETS			
Debtors	7	1,481	*21,170*
Cash at bank & in hand		1,320	*26,217*
Total Current Assets		2,801	*47,387*
CREDITORS			
Amounts due within one year	8	(479,204)	*(422,741)*
Total Current Liabilities		(479,204)	*(422,741)*
NET CURRENT ASSETS/(LIABILITIES)		(476,403)	*(375,354)*
CREDITORS due after more than one year			
Parent company	9	(13,270,056)	*(13,185,348)*
Provision	10	(42,000)	*(42,000)*
TOTAL NET ASSETS		122,526	*113,468*
SHAREHOLDERS' FUNDS			
Share capital	11	1,000	*1,000*
Share premium account		37,461	*37,461*
Profit and loss account	12	84,065	*75,007*
TOTAL SHAREHOLDERS' FUNDS		122,526	*113,468*

The financial statements were approved by the board of directors on 20 July 2009 and signed on its behalf by:

Ian Cuthbertson
Director and company secretary

Notes to the financial statements for the year ended 31 March 2009

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.

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 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.

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.

2. **Operating profit**

Auditors' remuneration is expensed and settled by the company's parent.

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. **Intangible fixed assets**

Deferred Development costs

	Parys Mountain
	£
Cost	
At 1 April 2008	13,424,560
Additions - own expenditure	192,189
At 31 March 2009	13,616,749
Carrying amount	
Net book value 2009	13,616,749
Net book value 2008	*13,424,560*

Parys Mountain development expenditure is carried in the financial statements at cost less an impairment provision if this is required. 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, no impairment provision is necessary and the fair value of the project is not less than 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.

6. **Tangible fixed assets**

Freehold land & buildings

	£
Opening cost	174,687
Added in year	-
Closing cost	174,687
Net book value 2009	174,687
Net book value 2008	*174,687*

6. Tangible fixed assets *continued*

Deposit with Isle of Anglesey Council

	£
Opening balance	116,923
Interest accumulated in year	2,626
Closing balance	119,549

	£
Total tangible fixed assets	294,236

7. Debtors

	2009	*2008*
	£	*£*
Amounts receivable	1,481	*18,570*
Prepayments	-	*2,600*
Totals	1,481	*21,170*

8. Creditors due within one year

	2009	*2008*
	£	*£*
Trade payables	920	*58,697*
Accruals	478,284	*364,044*
Totals	479,204	*422,741*

9. Creditors due after more than one year

	2009	*2008*
	£	*£*
Amounts due to parent company	13,270,056	*13,185,348*

10. Provisions

	2009	*2008*
	£	*£*
Site reinstatement provision	42,000	*42,000*

The site reinstatement provision is in respect of the estimated cost of restoring the Parys Mountain mine site should the company decide to cease operations there.

11. Called-up share capital

	2009	*2008*
	£	*£*
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*

12. Profit and loss account

	2009	*2008*
	£	*£*
Profit at beginning of year	75,007	*61,539*
Profit for the year	9,058	*13,468*
Profit at the end of the year	84,065	*75,007*

13. Reconciliation of movement in equity shareholder's deficit

	2009	*2008*
	£	*£*
Shareholder's funds at beginning of year	113,468	*100,000*
Profit for the year	9,058	*13,468*
Shareholder's funds at the end of the year	122,526	*113,468*

14. 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 it 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.

15. 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. A annual certain rent of £5,426 is payable for the year beginning 23 March 2008; 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.£27,000) 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.