Company registration number 00939442 (England and Wales)

Parys Mountain Mines Limited

Directors' report and financial statements for the year ended 31 March 2010

Contents

Directors	J F Kearney R I Cuthbertson W D Hooley
Company Secretary	R I Cuthbertson
Registered Office	Parys Mountain Amlwch Anglesey LL68 9RE
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 2010

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 known base metal deposit in the United Kingdom A feasibility study carried out in 1991 identified a resource of 6 5 million tonnes of 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 external factors unrelated to the property itself

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 Work on the geological modelling of the Parys deposits was brought up to date and a new computer simulation produced A new geological report has been received and reviewed Further drilling has been recommended however no decision has yet been taken as to whether to go forward, it is not planned to undertake any major programmes.

The profit for the year was £10,326 *(2009 profit £9,058)* The company's expenditure on the property during the year was £175,994 *(2009 - £192,189)*

Dividend

There is no revenue from the operations of the company The directors are unable to recommend a dividend *(2009 - 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, 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

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 as follows

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 2010 was 6 days *(2009 - 5 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, 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
23 December 2010

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 2010 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 auditors

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 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/UKNP

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 2010 and of its results 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 £13,792,743 (2009 - £13,616,749) 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

Mazars LLP, Chartered Accountants (Statutory auditor)
Richard Karmel (Senior statutory auditor)
Tower Bridge House, St Katharine's Way, London E1W 1DD

23 December 2010

Profit and loss account for the year ended 31 March 2010

	Notes	2010 £	2009 £
Turnover		-	-
Other income		9,499	8,578
Administration expenses		(198)	(2,238)
Operating profit	2	9,301	6,340
Interest receivable		1,025	2,718
Profit before tax		10,326	9,058
Tax		-	-
Profit for the year		10,326	9,058

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 2010

	Notes	31 March 2010 £	31 March 2009 £
FIXED ASSETS			
Intangible assets	6	13,792,743	13,616,749
Tangible assets	7	295,261	294,236
Total Fixed Assets		14,088,004	13,910,985
CURRENT ASSETS			
Debtors	8	4,072	1,481
Cash at bank & in hand		2,869	1,320
Total Current Assets		6,941	2,801
CREDITORS			
Amounts due within one year	8	(621,446)	(479,204)
Total Current Liabilities		(621,446)	(479,204)
NET CURRENT LIABILITIES		(614,505)	(476,403)
CREDITORS due after more than one year			
Parent company	10	(13,298,647)	(13,270,056)
Provision for liabilities and charges	11	(42,000)	(42,000)
TOTAL NET ASSETS		132,852	122,526
SHAREHOLDERS' FUNDS			
Share capital	12	1,000	1,000
Share premium account		37,461	37,461
Profit and loss account	13	94,391	84,065
TOTAL SHAREHOLDERS' FUNDS		132,852	122,526

The financial statements were approved and authorised for release by the board of directors on 23 December 2010 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 2010

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

2. Operating profit

The remuneration of the auditors 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

Activity during the year has generated trading losses for taxation purposes which may be offset against other revenues Accordingly no provision has been made for Corporation Tax
There are capital allowances, including mineral extraction allowances, of £11 3 million unclaimed and available at 31 March 2010 *(2009 - £10 7 million)*

	2010	2009
	£	£
Current tax	-	-
Deferred tax	-	-
Total tax	-	-

Domestic income tax is calculated at 28% *(2009 - 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

Profit for the year	10,326	9,058
Tax at the domestic income tax rate of 28%	2,891	2,536
Tax effect of:		
Expenses that are not deductible in determining taxable result	-	-
Tax losses for which no deferred tax asset was recognised	(2,891)	(2,536)
Total tax	-	-

6. **Intangible fixed assets**

Deferred development costs

	Parys Mountain
Cost	**£**
Opening cost	13,616,749
Additions - own expenditure	175,994
Closing cost	13,792,743
Carrying amount	
Net book value 2010	13,792,743
Net book value 2009	*13,616,749*

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 12 March 2010 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 31 March 2010 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 12 March 2010, the exchange rates used are those of the same day, gold and silver prices are spot rates on 12 March 2010, these rates and prices are tabulated below
- The following principal smelter terms have been estimated by the directors zinc $273 pt treatment with a basis price of $2,500 pt and a +9% / -6% variance, copper $47 pt treatment, $0 47 pt produced refining charge, lead $230 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	$2,347	$/tonne 27 months forward	-
Copper price	$7,435	$/tonne 27 months forward	-84%
Lead price	$2,235	$/tonne 27 months forward	-
Silver price	$17 30	Spot	-
Gold price	$1,102	Spot	-
Exchange rate £/$	1 5163	LME rate 13 Mar 09	+75%
Capital expenditure			+304%
Operating costs			+127%
Discount rate	10%		+134%

* 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$138 million, equivalent to £91 million, significantly in excess of the carrying value

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 **Error! Reference source not found** (major factors exchange rate £/US$ 1 52, zinc price $1,915 and copper price $6,485) and the net present value at 10% on this basis was US$94 million, equivalent to £62 million This reduction is largely as a result of lower metal prices

Based on the review set out above the directors have determined that no impairment provision is required in the financial statements at 31 March 2010 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
Net book value 2010	174,687
Net book value 2009	*174,687*

Deposit with Isle of Anglesey Council

	£
Opening balance	119,549
Interest accumulated in year	1,025
Closing balance	120,574
Total tangible fixed assets	295,261

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

	2010	2009
	£	£
Amounts receivable	4,072	1,481

9. Creditors due within one year

	2010	2009
	£	£
Trade payables	(528)	(920)
Accruals	(620,918)	(478,284)
Totals	(621,446)	(479,204)

10. Creditors due after more than one year

	2010	2009
	£	£
Amount due to parent company	(13,298,647)	(13,270,056)

11. Provision for liabilities and charges

	2010	2009
	£	£
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 There are 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

12. Called-up share capital

	2010	2009
Authorised	£	£
1000 ordinary shares of £1 each	1,000	1,000
Issued		
1000 ordinary shares of £1 each	1,000	1,000

13. Profit and loss account

	2010	2009
	£	£
Profit at beginning of year	84,065	75,007
Profit for the year	10,326	9,058
Profit at the end of the year	94,391	84,065

14 Reconciliation of movement in equity shareholder's deficit

	2010	2009
	£	£
Shareholder s funds at the beginning of year	122,526	113,468
Profit for the year	10,326	9,058
Shareholder's funds at the end of the year	132,852	122,526

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 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 £5,426 is payable for the year beginning 23 March 2009, 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 £32,500) 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