Company registration number 00939442 (England and Wales)

Parys Mountain Mines Limited

Directors' report and financial statements for the year ended 31 March 2017

Contents

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

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2017.

Principal activity and business review

The principal activity 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 which is incorporated in England and Wales.

The Parys Mountain property hosts a significant polymetallic zinc, copper, lead, silver and gold deposit. The site has a head frame, a 300m deep production shaft and planning permission for operations. The company and its associates have freehold ownership of the minerals and surface land. Infrastructure is good, political risk is low and the project enjoys the support of local people and government.

An independent JORC resource estimate completed in 2012 by Micon International Limited reported a resource of 2.1 million tonnes at 6.9% combined base metals in the indicated category and 4.1 million tonnes at 5.0% combined base metals in the inferred category with substantial exploration potential.

Physical operations at Parys Mountain were again kept at a low level during the past year, with only essential maintenance work carried out, while the main focus of activity was undertaking a new scoping study which was prepared by Micon International Limited (Micon) and Fairport Engineering Ltd (Fairport). The selected base case envisages a mining rate of 1,000 tonnes per day, to produce an average annual output of 14,000 tonnes of zinc concentrate at 57% Zn, 7,200 tonnes of lead concentrate at 52% Pb and 4,000 tonnes of copper concentrate at 25% Cu annually over an initial mine life of eight years.

The overall net smelter return (NSR) for the three concentrates, including the silver and gold precious metals contributions, is expected to total more than $270 million at the forecast metal prices used for the base case calculations.

The base case yields a pre-tax net present value of $33.2 million, or £26.6 million, at a conservative 10 per cent discount rate, using present day metal prices of $1.25 per pound for zinc, $1.00 per pound for lead, $2.50 per pound for copper, $17.50 per ounce for silver and $1,275 per ounce for gold and at an exchange rate of £1.00 = $US1.25. With an estimated pre-production capital cost of $53 million, or £42 million, this results in an indicated internal rate of return (IRR) of 28.3%.

Using longer term metal price projections of $1.35 per pound for zinc and $3.00 per pound for copper, the NPV10 would be $43.2 million, or £34.6 million. At an 8% discount rate, used to reflect the relatively low risks of the project given its advanced level of development and low political risk in the UK, the NPV8 would be enhanced to $41 million, or £32.8 million, for the base case metal price scenario and to $53 million, or £42 million for the higher longer-term metal prices, with an IRR of 33%.

Importantly, the study was based on only the 2.1 million tonnes of indicated resources reported by Micon in 2012. Micon had also reported a further 4.1 million tonnes of inferred resources which were not incorporated into the Scoping Study. It is expected that a high proportion of these inferred resources will be converted to indicated probable reserves once exploration drilling from underground takes place. These additional resources would be processed through the same concentrator plant and would significantly increase the projected life of the mine, to perhaps double the projected mine-life to 15 or 18 years, and enhance the NPV.

After due consideration the directors decided to undertake an impairment review, however this review did not indicate any requirement for impairment against the value of the Parys Mountain deferred exploration and evaluation costs shown on the statement of financial position.

Operation of the mine and the receipt of cashflows from it are dependent on finance being available to fund the development of the property.

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 profit for the year was £4,586 *(2016 profit £6,704)*. The company's expenditure on the property during the year was £84,196 *(2016 - £49,433)*.

Dividend

There is no revenue from the operations of the company. The directors are unable to recommend a dividend (2016 - nil).

Since the date of the statement of financial position 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 7 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 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 with 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 contributions from its parent for its working capital requirements and to fund its exploration development activities.

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 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
D. W. Hooley

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.

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 directors' 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. 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and which disclose with reasonable accuracy at any time the financial position of the company and to 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.

The directors have prepared this report in accordance with the provisions applicable to companies subject to the small companies regime.

Approved by the board of directors and signed on its behalf

D. K. Varma
Company secretary

12 December 2017

Independent Auditor's 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 2017 which comprise the Statement of total comprehensive income, the Statement of financial position, the Statement of changes in equity 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), including FRS 101 "Reduced Disclosure Framework".

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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 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 Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

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 2017 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 other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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.
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

Robert Neate (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

12 December 2017

Statement of total comprehensive income

All operations are continuing

	Notes	Year ended 31 March 2017 £	Year ended 31 March 2016 £
Revenue		-	-
Rentals and other income		8,406	9,670
Administration expenses		(3,960)	(3,238)
Operating profit	3	4,446	6,432
Finance income		140	272
Profit before tax		4,586	6,704
Tax		-	-
Total comprehensive income for the year		4,586	6,704

Statement of financial position

	Notes	31 March 2017 £	31 March 2016 £
ASSETS			
Non-current assets			
Mineral property exploration and evaluation	7	15,010,822	14,926,626
Property, plant and equipment	8	174,687	174,687
Deposit	9	123,118	123,078
		15,308,627	15,224,391
Current assets			
Other receivables	10	6,350	13,014
Cash and cash equivalents		854	1,253
		7,204	14,267
Total assets		15,315,831	15,238,658
LIABILITIES			
Current liabilities			
Trade and other payables	11	(2,985)	(14,823)
		(2,985)	(14,823)
Net current assets/(liabilities)		4,219	(556)
Non-current liabilities			
Provision for site reinstatement	12	(50,000)	(50,000)
Total liabilities		(52,985)	(64,823)
Net assets		15,262,846	15,173,835
EQUITY			
Share capital	13	1,000	1,000
Share premium		37,461	37,461
Other reserves		15,059,013	14,974,588
Retained profits		165,372	160,786
Total shareholder's equity		15,262,846	15,173,835

The financial statements were approved and authorised for release by the board of directors on 12 December 2017 and signed on its behalf by:

Bill Hooley
Director

Company registration number 00939442

Statement of changes in equity

All attributable to the equity holder in the company

	Share capital	Share premium	Other reserves	Retained profits	Total
	£	£	£	£	£
Equity at 1 April 2015	1,000	37,461	14,930,838	154,082	15,123,381
Total comprehensive income for the year:					
Profit for the year	-	-	-	6,704	6,704
Total comprehensive income for the year	-	-	-	6,704	6,704
Capital contributions	-	-	43,750	-	43,750
Total shareholder's equity at 31 March 2016	1,000	37,461	14,974,588	160,786	15,173,835
Total comprehensive income for the year:					
Profit for the year	-	-	-	4,586	4,586
Total comprehensive income for the year	-	-	-	4,586	4,586
Capital contributions	-	-	84,425	-	84,425
Total shareholder's equity at 31 March 2017	1,000	37,461	15,059,013	165,372	15,262,846

Notes to the financial statements for the year ended 31 March 2017

1. General information

Parys Mountain Mines Limited is domiciled and incorporated in England and Wales under the Companies Act 2006. The nature of the company's operations and its principal activities are set out in the Directors' report. The registered office address is shown on page 1.
These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company has been operating. Foreign operations are included in accordance with the policies set out in note 2.

2. Significant accounting policies

Basis of Accounting
These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with the applicable provisions of the Companies Act 2006. Except for certain disclosure exemptions detailed below, the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (EU-adopted IFRSs) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008/410 ('Regulations').
Basis of measurement
The financial statements have been prepared on the historical cost basis except for the fair valuation of certain financial assets. The principal accounting policies adopted are set out below.
Going concern
The financial statements are prepared on a going concern basis. The validity of the going concern basis is dependent on finance being available for the continuing working capital requirements of the company for the foreseeable future, being a period of at least twelve months from the date of approval of the accounts. The ongoing operations of the company are dependent on its ability to raise adequate financing. The company relies on support from its shareholder to fund its working capital requirements. Additional financing will be required in the short term to continue the development of the company's properties and in the longer term to put the Parys Mountain Mine into production.
The directors recognise that the continuing operations of the company are dependent upon the ability of its parent to raise adequate financing. The directors have a reasonable expectation that the required financing will be raised and therefore the financial statements have been prepared on the going concern basis.
Accounting standards
There are no new accounting standards and interpretations that the company has adopted in the year.
Disclosure exemptions applied
The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101 paragraph 8:

i. The requirement of IFRS 7 'Financial Instruments: Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;
ii. The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79(a)(iv)), the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73(e)) and the reconciliation of the carrying amount of intangible assets (IAS 18(118)(e));
iii. The requirements of IAS 1 'Presentation of Financial Statements' paragraph 10(d), the requirement to make an explicit and unreserved statement of compliance with IFRS;
iv. The requirements of IAS 1 'Presentation of Financial Statements' paragraphs 38A to 40D relating to disclosures of comparative information;
v. The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;
vi. The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d) and 111 relating to the presentation of a Cash Flow Statement;
vii. The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective;
viii. The requirements of IAS 24 'Related Party Disclosures' paragraph 17 relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the company and other wholly-owned subsidiaries of the group; and
ix. The requirements of IAS 36 'Impairment of Assets' paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) relating to certain disclosure requirements of impairment testing.

For the disclosure exemptions listed in points (i) to (ii) and (ix), the equivalent disclosures are included in the consolidated financial statements of the group, Anglesey Mining Plc which the company is consolidated into. Further, as permitted by FRS 101 paragraph 7A, the company has not presented an opening statement of financial position at the date of transition.
Foreign currencies
Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the period end date. Non-monetary assets and liabilities carried

at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period. On consolidation, the assets and liabilities of the company's overseas operations are translated at exchange rates prevailing on the period end date. Exchange differences arising, if any, are classified as items of other comprehensive income and transferred to the company's translation reserve within equity.
Such translation differences are reclassified to profit or loss, and recognised as income or as expense, in the period in which there is a disposition of the operation.

Taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the period end liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.
Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.
The carrying amount of any deferred tax asset is reviewed at each period end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Property, plant and equipment

The company's freehold land is stated in the statement of financial position at cost. The directors consider that the residual value of buildings, based on prices prevailing at the date of acquisition and at each subsequent reporting date as if the asset were already of the age and in the condition expected at the end of its useful life, is such that any depreciation would not be material. The carrying value is reviewed annually to consider whether it exceeds the recoverable value, in which case any impairment in value would be charged immediately to the income statement.
Plant and office equipment are stated in the statement of financial position at cost, less depreciation. Depreciation is charged on a straight line basis at the annual rate of 25%. Residual values and the useful lives of these assets are also reviewed annually.

Intangible assets - mineral property exploration and evaluation costs

Intangible assets are stated in the statement of financial position at cost, less accumulated amortisation and provisions for impairment.
Costs incurred prior to obtaining the legal rights to explore a mineral property are expensed immediately to the income statement. Mineral property exploration and evaluation costs are capitalised until the results of the projects, which are usually based on geographical areas, are known; these include an allocation of administrative and management costs as determined appropriate to the project by management.
Where a project is successful, the related exploration costs are amortised over the life of the estimated mineral reserve on a unit of production basis. Where a project is terminated, the related exploration costs are expensed 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

The values of mineral properties are reviewed annually for indications of impairment and when these are present a review to determine whether there has been any impairment is carried out. They 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 that obligation at the end of the reporting period and are discounted to present value where the effect is material.

Financial instruments

Financial assets and liabilities are initially recognised and subsequently measured based on their classification as "loans and receivables", "available for sale financial assets" or "other financial liabilities".
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except where they mature more than 12 months after the period end date: these are classified as non-current assets.
(a) *Trade and other receivables.* Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.
(b) *Cash and cash equivalents.* The company considers all highly liquid investments which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents. The management believes that the carrying amount of cash equivalents approximates fair value because of the short maturity of these financial instruments.

(c) *Trade and other payables*. Trade payables are not interest bearing and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

Equity and reserves

Share capital represents the nominal value of shares that have been issued. Share premium represents the amount by which the amount received by the Company for a share issue exceeds its face value. Capital contributions represents amounts advanced by the company's parent which are not expected to be repaid. Retained earnings include all current and prior period retained profits.

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 unless they relate to mineral property exploration and evaluation in which case they are capitalised. There are no finance leases or other operating leases.

New accounting standards

There are no accounting standards and interpretations that the company has adopted in the year.

Judgements made in applying accounting policies and key sources of estimation uncertainty

The following critical judgements have been made in the process of applying the company's accounting policies:

(a) In determining the treatment of exploration, evaluation and development expenditures the directors are required to make estimates and assumptions as to future events and circumstances. There are uncertainties inherent in making such assumptions, especially with regard to: ore resources and the life of a mine; recovery rates; production costs; commodity prices and exchange rates. Assumptions that are valid at the time of estimation may change significantly as new information becomes available and changes in these assumptions may alter the economic status of a mining unit and result in resources or reserves being restated. Operation of a mine and the receipt of cashflows from it are dependent on finance being available to fund the development of the property.

(b) In connection with possible impairment of assets the directors assess each potentially cash generating unit annually to determine whether any indication of impairment exists. The judgements made when doing so are similar to those set out above and are subject to the same uncertainties.

Nature and purpose of equity reserves

The share premium reserve represents the consideration that has been received in excess of the nominal value of shares on issue of new ordinary share capital, less any direct costs of issue. Other reserves are in respect of capital contributions by the company's parent. The retained earnings reserve represents profits and losses retained in previous and current periods.

3. 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.

4. 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.

5. 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.

6. Taxation

Trading profits for taxation purposes have been offset against losses of other companies using Company Relief. Accordingly no provision has been made for Corporation Tax. There are capital allowances, including mineral extraction allowances, of £12.4 million unclaimed and available at 31 March 2017 *(2016 - £12.4 million).*

	2017	2016
	£	£
Current tax	-	-
Deferred tax	-	-
Total tax	-	-

Domestic income tax is calculated at 20% (2016 - 20%) 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	4,586	6,704
Tax at the domestic income tax rate of 20% (2016 - 20%)	917	1,341
Tax effect of:		
Expenses not deductible in determining taxable result	-	-
Prior year losses utilised	(917)	(1,341)
Current tax	-	-

7. Mineral property exploration and evaluation costs

At 31 March 2016	14,926,626
Additions - site	60,886
Additions - rentals & charges	23,310
At 31 March 2017	15,010,822
Carrying amount	
Net book value 2017	15,010,822
Net book value 2016	*14,926,626*

Included in the additions are mining lease expenses of £16,200 (2016 - £16,096).

The recoverability of the deferred exploration and evaluation 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 statement of financial position would be written off.

Potential impairment of mineral property

Accumulated exploration and evaluation expenditure in respect of the Parys Mountain property is carried in the financial statements at cost less any impairment provision, the need for which is reviewed each year.

This year the directors carried out an impairment review with an effective date of 26 March 2017. The directors determined that value-in-use was the appropriate methodology for calculating the recoverable amount of the Parys project, as they consider the asset to be at the development stage from a project perspective, given the ongoing scoping study work, the existence of site infrastructure, the existing 300 metre shaft, 900 metres of horizontal underground development, completed metallurgical testing and current valid planning permission and as they are considering various options regarding developing the asset further which will lead to expected future cash inflows.

In calculating the value in use, the directors have included the cash outflows that are expected to be incurred before the asset is ready for use. The calculation of the recoverable amount was based on the pre-tax discounted future cash flows from the development and operation of the project at a throughput of 500 tonnes per day over the initial projected mine life of 16 years during which time the indicated resources of 2.1 million tonnes would be mined. The financial model included an assumption of a two year delay before construction activities commence. There may be unexpected further delays due to adverse changes in future mineral prices or delays in respect of financing.

The directors 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 the financial model used to estimate the cashflows.

Key assumptions

- Mine plan with development and mining of the indicated resources of 2.1 million tonnes only without inclusion of any of the 4.1 million tonnes of inferred resources;
- Capital costs estimated at current costs when the expenditure is planned to be incurred. Revenues and operating costs do not take into account any inflation;
- Long-term estimates of metal prices were made by the directors and were as follows: zinc 1.25 US$/lb; copper 2.50 US$/lb; lead 1.00 US$/lb; silver US$17.50 per ounce and gold US$1275 per ounce. Exchange rate US$1.25/£1.00;
- A discount rate of 10% was considered by the directors to be appropriate and has been applied to the estimated future cashflows. The discount rate was selected by considering the estimated cost of capital and the time value of money, reviewing discount rates applied by other mining companies, and finally considering the risks associated with the project due to its location in the United Kingdom with excellent access to existing infrastructure and readiness for development, which were considered to be at the lower level, together with the directors' allowance for unforeseen risks.

Sensitivities

The sensitivity of the assumptions used in the cashflow model which would significantly affect the pre-tax discounted net present value of the projected Parys cashflows were tested. The sensitivities which follow are the variation expressed in percent of each specific assumption which would, on its own, reduce the calculated net present value to the carrying value of the intangible asset in the accounts: copper price -36%, zinc price -10%, lead price -24%, capital expenditure +15%, operating costs +18%, the discount rate +16% (that is a 16% increase in the discount rate applied, not an increase of 16 percentage points) and a reduction in tonnage mined of 23%. The effect of an increased delay before the commencement of project development would be to decrease the net present value by 9% for each year of delay. The directors consider the sensitivities resulting from the changes in assumptions stated above to be reasonably possible.

Other than the typical mining industry risk factors already taken into consideration in the mine plan underlying the net present value calculation the directors are not aware of any other risks which it would be reasonable to consider when reviewing these sensitivities.

There are significant inferred resources available to the project, the value of which is not included in the cash flow model as the inferred resources were not incorporated in the underlying mine plan. It is expected that a high proportion of these inferred resources will be converted to indicated resources, or probable reserves, once exploration drilling from underground takes place. Development and mining of these additional resources would increase the projected life of the mine.

Conclusion

Based on the above parameters the directors concluded that no impairment provision is necessary or appropriate to the carrying value of the exploration and evaluation expenditure in respect of the Parys Mountain project. However 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 represent a fair representation of value in use of the property.

8. Freehold property

Cost	**£**
At 31 March 2016 and 2017	174,687
Carrying amount	
At 31 March 2016 and 2017	174,687

9. Deposit

	£
Opening balance	123,078
Interest accumulated in year	140
Closing balance	123,218

This deposit was required and made under the terms of a Section 106 Agreement with the Isle of Anglesey County Council which has granted planning permissions for mining at Parys Mountain. The deposit is refundable upon restoration of the permitted area to the satisfaction of the Planning Authority. The carrying value of the deposit approximates to its fair value.

10. Other receivables

	2017	**2016**
	£	**£**
Amounts receivable & prepayments	6,350	13,014

The carrying value of the receivables approximates to their fair value.

11. Trade and other payables

	2017	**2016**
	£	**£**
Trade payables	15	(13,323)
Accruals	(3,000)	(1,500)
Totals	(2,985)	(14,823)

The carrying value of the trade and other payables approximates to their fair value.

12. Provision

	2017	2016
	£	£
Provision for site reinstatement	(50,000)	(50,000)
Addition in year	-	-
Provision at the end of the year	(50,000)	(50,000)

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.

13. Share capital

	2017	2016
	£	£
Issued and fully paid		
1000 ordinary shares of £1 each		
At 31 March 2014, 2015 and 2016	1,000	1,000

14. Parent company and financial support

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.

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 99 year 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 £10,866 is payable for the year beginning 23 March 2016; this base part of this rent increases 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 and otherwise terminates in 2070.

(c) Under a mining lease from the Crown dated December 1991, 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.

Lease payments

All the company's and its associates' leases may be terminated with 12 months' notice. If they are not so terminated, the minimum payments due in respect of the leases and royalty agreement are analysed as follows: within the year commencing 1 April 2017 - £16,830 ; between 1 April 2017 and 31 March 2023 - £89,457. Thereafter the payments will continue at proportionate annual rates, in some cases with increases for inflation, for so long as the leases are retained or extended.

16. Events after the period end

There are no events after the period end to report.