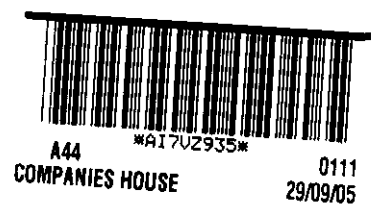


Registration number 02668844

Gwynfynydd Gold Mine Ltd
Directors' report and financial statements
for the year ended 31 December 2004



Gwynfynydd Gold Mine Ltd

Company information

Directors	Roland Frank Phelps
Secretary	Mrs Mai Parry Roberts
Company number	02668844
Registered office	41 Frithwood Avenue Northwood Middlesex HA6 3LY
Auditors	Robert Gray Chartered Accountants Messina House 25 Portland Street Aberystwyth Ceredigion SY23 2DX
Business address	41 Frithwood Avenue Northwood Middlesex HA6 3LY
Bankers	Barclays Bank Plc 5 High Road Willesden Green London NW16 2TE

Gwynfynydd Gold Mine Ltd

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Gwynfynydd Gold Mine Ltd

Directors' report for the year ended 31 December 2004

The directors present their report and the financial statements for the year ended 31 December 2004.

Principal activity and review of the business

The principal activities of the group are the mining, manufacture and retail of gold and jewellery.

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of a final dividend.

Finalisation of the Creditors Voluntary Arrangement

Gold (Wales) Ltd and Gwynfynydd Gold Mine Ltd operated under a Creditors Voluntary Arrangement from 29th April 1998 when Messrs BDO Stoy Hayward were appointed supervisors of the scheme.

On 12th October 2004 the Arrangement was fully implemented, with the preferential creditors receiving a distribution of 100p in the £. The unsecured creditors received a dividend of 19.96p in the £.

Directors and their interests

The directors who served during the year and their interests in the company are as stated below:

	Ordinary shares	
	31/12/04	01/01/04
Roland Frank Phelps	-	-
Clayton Hugo Wynne Robson	-	-
(Passed away December 2004)		

The interests of the directors in the shares of the parent company, Welsh Gold plc, can be found in the Directors' Report within the accounts of the parent company.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 presume that the company will continue in business.

The directors are responsible for keeping proper accounting records 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 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

Gwynfynydd Gold Mine Ltd

**Directors' report
for the year ended 31 December 2004**

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Robert Gray Chartered Accountants be reappointed as auditors of the company will be put to the Annual General Meeting. This report was approved by the Board on 30 August 2005 and signed on its behalf by



**Roland Frank Phelps
Director**

Gwynfynydd Gold Mine Ltd

Independent auditors' report to the shareholders of Gwynfynydd Gold Mine Ltd

We have audited the financial statements of Gwynfynydd Gold Mine Ltd for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the directors report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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.

Gwynfynydd Gold Mine Ltd

Independent auditors' report to the shareholders of Gwynfynydd Gold Mine Ltd continued

Creditors Voluntary Arrangement

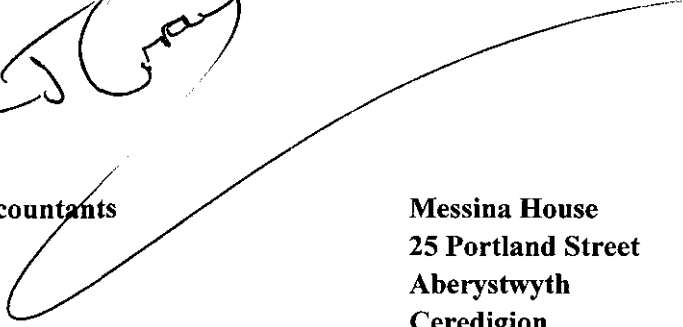
The Creditors Voluntary Arrangement that was entered into on 29th April 1998 by Gwynfynydd Gold Mine Ltd and Gold (Wales) Ltd was fully implemented on 12th October 2004. All liabilities relating to the Creditors Voluntary Arrangement have been extinguished.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Robert Gray Chartered Accountants
and
Registered Auditor
30 August 2005**



**Messina House
25 Portland Street
Aberystwyth
Ceredigion
SY23 2DX**

Gwynfynydd Gold Mine Ltd

**Profit and loss account
for the year ended 31 December 2004**

		Continuing operations	
		2004	2003
	Notes	£	£
Turnover	2	18,000	15,000
Administrative expenses		(2,272)	(1,102)
Exceptional administrative items		-	15,139
Profit on ordinary activities before taxation		15,728	29,037
Tax on profit on ordinary activities		-	-
Profit on ordinary activities after taxation		15,728	29,037
Retained profit for the year		15,728	29,037

There are no recognised gains or losses other than the profit or loss for the above two financial years.


The notes on pages 8 to 11 form an integral part of these financial statements.

Gwynfynydd Gold Mine Ltd

**Balance sheet
as at 31 December 2004**

		2004		2003	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	4		15,000		16,687
Current assets					
Cash at bank and in hand		4,729		1,924	
		<u>4,729</u>		<u>1,924</u>	
Creditors: amounts falling due within one year	5	<u>(34,908)</u>		<u>(32,627)</u>	
Net current liabilities			(30,179)		(30,703)
Deficiency of assets			<u>(15,179)</u>		<u>(14,016)</u>
Capital and reserves					
Called up share capital	6		483,000		483,000
Profit and loss account	7		<u>(498,179)</u>		<u>(497,016)</u>
Shareholders' funds	8		<u>(15,179)</u>		<u>(14,016)</u>

The financial statements were approved by the Board on 30 August 2005 and signed on its behalf by



Roland Frank Phelps
Director

The notes on pages 8 to 11 form an integral part of these financial statements.

Gwynfynydd Gold Mine Ltd

**Cash flow statement
for the year ended 31 December 2004**

	Notes	2004 £	2003 £
Operating profit		15,728	29,036
Depreciation		1,687	563
Increase in creditors		2,281	(27,958)
Decrease in provisions		(16,890)	1,641
Net cash inflow from operating activities		<u>2,806</u>	<u>-</u>
Cash flow statement			
Increase in cash in the year		<u>2,806</u>	<u>-</u>
Reconciliation of net cash flow to movement in net (Note 13)			
Increase in cash in the year		-	-
Movement in net in the year		2,806	-
Net funds at 1 January 2004		1,923	1,923
Net at 31 December 2004		<u>4,729</u>	<u>1,923</u>

Gwynfynydd Gold Mine Ltd

Notes to the financial statements for the year ended 31 December 2004

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention .

The company has consistently applied all relevant accounting standards.

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.3. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Land and buildings	-	The directors do not consider it appropriate to depreciate the land
Plant and machinery	-	25% Straight Line

1.4. Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future, at the rates of tax expected to apply when the timing differences reverse.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

3. Operating profit

	2004	2003
	£	£
Operating profit is stated after charging:		
Depreciation and other amounts written off tangible assets	1,688	563
Auditors' remuneration	570	525
Exceptional items		
- Exceptional administrative credit	-	15,139

The employees of the company are the two directors who did not receive any remuneration during the year.

Gwynfynydd Gold Mine Ltd

**Notes to the financial statements
for the year ended 31 December 2004**

..... continued

4. Tangible fixed assets	Land and buildings freehold £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
Cost				
At 1 January 2004	15,000	149,393	5,306	169,699
At 31 December 2004	15,000	149,393	5,306	169,699
Depreciation				
At 1 January 2004	-	147,705	5,306	153,011
Charge for the year	-	1,688	-	1,688
At 31 December 2004	-	149,393	5,306	154,699
Net book values				
At 31 December 2004	15,000	-	-	15,000
At 31 December 2003	15,000	1,688	-	16,688

The mine was originally revalued upwards by the directors on 27th January 1995 to £1,026,000. A reduction in this valuation was recognised at the end of 1998 when the mine was revalued at £521,000. A further reduction was recognised at the end of 1999 to £64,500. At the end of 2001 the directors had revalued the mine at £15,000. The Directors consider this is an accurate reflection of the value of the land and buildings at 31st December 2004.

5. Creditors: amounts falling due within one year	2004 £	2003 £
Amounts owed to group undertaking	29,105	29,105
Directors' accounts	5,803	2,997
Accruals and deferred income	-	525
	<u>34,908</u>	<u>32,627</u>

Gwynfynydd Gold Mine Ltd

Notes to the financial statements for the year ended 31 December 2004

..... continued

6. Share capital	2004	2003
	£	£
Authorised		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
483,000 Ordinary shares of £1 each	483,000	483,000
	<u> </u>	<u> </u>
	Profit	
	and loss	
7. Equity Reserves	account	Total
	£	£
At 1 January 2004	(497,017)	(497,017)
Retained profit for the year	15,728	15,728
Movement in provision	(16,890)	(16,890)
	<u> </u>	<u> </u>
At 31 December 2004	(498,179)	(498,179)
	<u> </u>	<u> </u>
8. Reconciliation of movements in shareholders' funds	2004	2003
	£	£
Profit for the year	15,728	29,037
Other recognised gains or losses	(16,890)	(1,641)
	<u> </u>	<u> </u>
Net addition to shareholders' funds	(1,162)	27,396
Opening shareholders' funds	14,016	(41,412)
	<u> </u>	<u> </u>
Closing shareholders' funds	12,854	(14,016)
	<u> </u>	<u> </u>

9. Related party transactions

During the year the company did not purchase or sell goods in the normal course of business from or to any group companies. Amounts owed to Gold (Wlaes) Ltd and Celtic Gold Jewellery Ltd amounted to £29,083 and £22 respectively at 31st December 2004 (2003: £29,083 and £22) as disclosed in note 5. Of the amount owed to Welsh Gold plc of £648,453 (2003: £665,343) £648,453 (2003: £665,343) has been provided for.

Gwynfynydd Gold Mine Ltd

Notes to the financial statements for the year ended 31 December 2004

..... continued

10. Ultimate parent undertaking

The ultimate parent company is Welsh Gold plc which is incorporated in England & Wales. It owns all the issued share capital and has included the company in its group accounts, copies of which are available from its registered office.

11. Controlling interest

The company is under the control of the managing director Mr Roland Phelps.

13. Analysis of changes in net funds

	Opening balance	Cash flows	Other changes	Closing balance
	£	£	£	£
Cash at bank and in hand	1,923	2,806		4,729
Net funds	1,923	2,806	-	4,729