

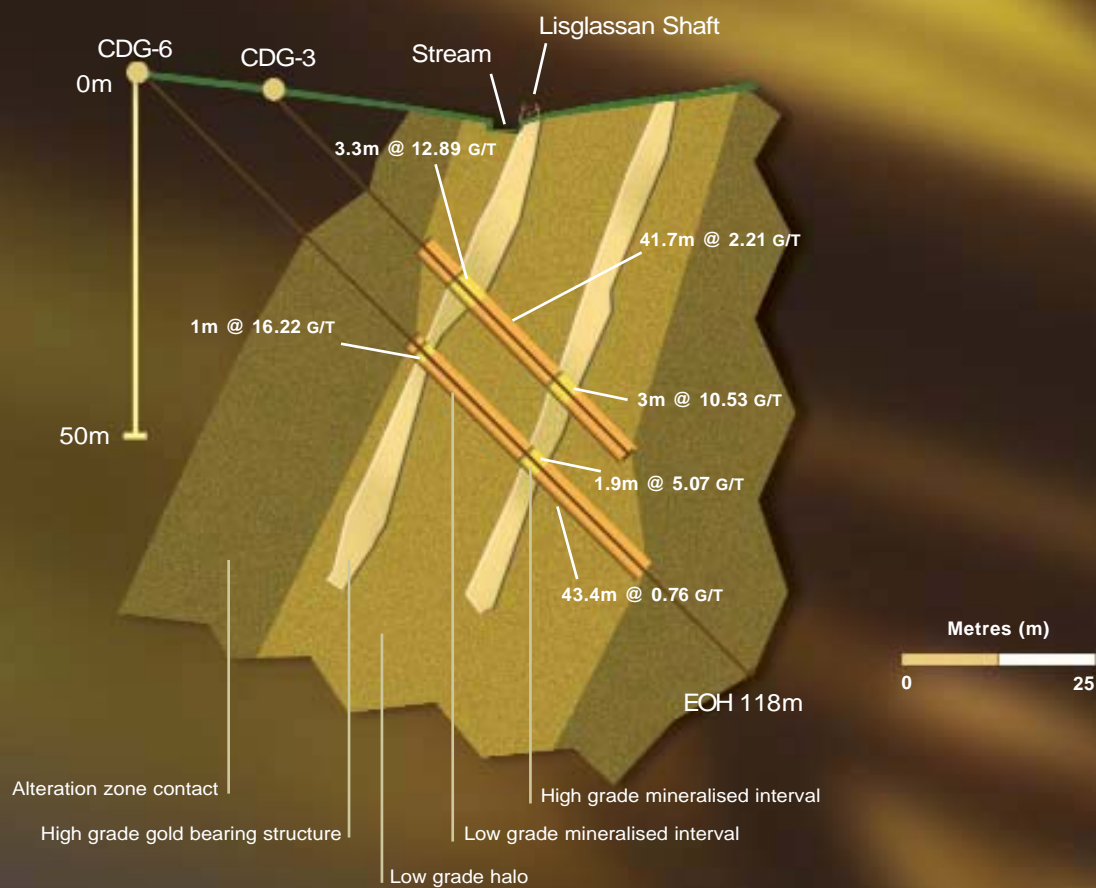


CONROY
DIAMONDS AND GOLD P.L.C.

Conroy Diamonds and Gold P.L.C.
Annual Report and Financial Statements 2003

Tullybuck-Lisglassan Gold Deposit

Drillhole Cross Secti





CONROY
DIAMONDS AND GOLD P.L.C.

Conroy Diamonds and Gold P.L.C.
Annual Report and Financial State

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CHAIRMAN'S STATEMENT



Dear Shareholder

I have great pleasure in presenting your Company's Annual Report and Financial Statements for the twelve months ended 31 May 2003. I am also very pleased to be able to do so against a backdrop of a much-improved gold price, a development which is greatly welcomed by all in the industry.

Although part of the price rise reflects the weakness of the US dollar, there is no doubt that much of the improvement reflects renewed investor interest in gold equities as well as in new vehicles which offer direct investment in the metal itself.

Against this highly encouraging background, your Company has continued to press ahead with its gold exploration programmes in Ireland, where the objective is to establish the Longford-Down Massif as a new mineral province hosting a major gold producing region. During the year, considerable progress was achieved on this front, whilst the latest results from your Company's exploration programme for diamonds in Finland were also encouraging.

Since the end of the financial year, your Company has been able to capitalise on the improved market sentiment for gold by raising £1.25m through a placement of shares to institutional investors. This will enable it to progress to the next stage of drilling within the Armagh-Monaghan Gold Belt, including a more detailed assessment of one or more of the gold areas it has discovered to date.

The Longford-Down Massif

The Longford-Down Massif is a major geological feature stretching from Co. Longford in the Republic of Ireland to Co. Down in Northern


Ireland that is currently the focus of gold exploration by your Company. Your Company has defined an area within the Massif measuring approximately 60km², which is termed the Armagh-Monaghan Gold Belt.

During the past year, two significant new gold discoveries have been made in this Gold Belt, at Corcaskea and Ballygreany, both in Co. Monaghan. These are in addition to the previous discoveries at Tullybuck-Lisglassan, also in Co. Monaghan, and Cargalisgorran and Tivnacree in Co. Armagh. All the prospects and deposits identified to date are spatially related to a major regional feature, the Orlock Bridge Fault.

Your Company sees these new discoveries as highly significant as they add further weight to the theory that the Longford-Down Massif, of which the Armagh-Monaghan Gold Belt is part, could be host to a number of separate gold deposits. These latest discoveries, allied with the previous discoveries at Tullybuck-Lisglassan, Cargalisgorran and Tivnacree, demonstrate the potential of the Armagh-Monaghan Gold Belt and, on a broader scale, the Longford-Down Massif.

During the past year, two significant new gold discoveries have been made in this Gold Belt, at Corcaskea and Ballygreany, both in Co. Monaghan. These are in addition to the previous discoveries at Tullybuck-Lisglassan, also in Co. Monaghan, and Cargalishgorran and Tivnacree in Co. Armagh.





Your Company has been granted an additional prospecting licence over 250km² of Co. Armagh, thus increasing its landholdings over the Longford-Down Massif to more than 1,500km².

It is your Company's firm view that the Longford-Down Massif has the potential to become a new gold mining province and recent results would seem to substantiate such a belief.

At Slieve Glah in Co Cavan, some 45km to the southwest of the Armagh-Monaghan Gold Belt, but also in the Longford-Down Massif, your Company has identified a large (3.5km by 1.5km) gold in soil anomaly. Preliminary trenching across part of this soil anomaly has confirmed the presence of gold in bedrock. The trend of the Orlock Bridge Fault shows a marked deviation to the south at Slieve Glah. Such deviations can often lead to the formation of dilation zones with which large-scale mineralisation is sometimes associated.

The importance of the exploration programmes being conducted by your Company within the Longford-Down Massif and their significance in a global context were outlined in September in a technical paper by your Company's geological consultant, Dr. Michael Smith, and its senior geologists. This paper was presented at the third NAMS Conference (North Atlantic Mineral Symposium), which was held in Dublin.

Your Company has been granted an additional prospecting licence over 250km² of Co. Armagh, thus increasing its landholdings over the Longford-Down Massif to more than 1,500km². These licences now comprise a contiguous block of ground, up to 20km wide, which extends southwest from Co. Armagh, through

Counties Monaghan and Cavan in the Republic of Ireland, to the boundary with Co. Longford, a distance of approximately 100km. Your Company is now the sole explorer of a large block of land in Ireland having enormous mineral potential.

Finland

The basic exploration process when searching for diamonds in glaciated terrain is to sample the glacial tills for kimberlitic and diamond indicator minerals and progressively move "up-ice" with each subsequent round of sampling in an attempt to trace the indicator trains back to their possible kimberlitic source.

Indicator minerals of particular significance are the G9 and G10 garnets. These are formed under the same temperature and pressure conditions as diamonds and are considered to be particularly good indicators of their likely presence.

Since studies in eastern Finland, where your Company is actively exploring, have shown the glacial tills have been transported only a relatively short distance, the source of any indicator minerals found in till sampling may be nearby.

Our latest sampling programmes in eastern Finland, undertaken once again on behalf of your Company by the Geological Survey of Finland, which is under contract to your

CHAIRMAN'S STATEMENT

Company, were therefore sited "up ice" from our earlier work which had identified a number of indicator mineral trains.

Further kimberlitic and diamond indicator minerals, including G9 and G10 garnets, were recovered from these latest sampling programmes and, significantly, in greater numbers than from the earlier locations. This both confirms and enhances the previous anomalies identified by your Company in the eastern Finland and suggests we are moving closer to possible kimberlitic sources.

Diamondiferous kimberlites are largely confined to stable blocks of very ancient crustal rocks known as cratons. Your Company's licences in eastern Finland are located within one such crustal block known as the Karelian Craton. This extends across the border into Russia where it hosts the Grib kimberlite pipe containing an estimated 67m carats of diamonds.

Your Company's exploration strategy in Finland is based on the belief that similar world-class diamond deposits may also be present in the Finnish sector of the Karelian Craton. Although we are still at an early stage of exploration, these latest sampling results suggest our strategy is valid and that we are moving in the right direction.

Strategy

Your Company's exploration strategy, which is designed to successfully identify major geological and prospecting opportunities of economic significance, continues to be most encouraging with a potentially world class gold mining discovery in Ireland and excellent results from your Company's diamond exploration programme in Finland.

Finance

Stock markets have continued to be weak over the period since my last report. However, we have succeeded in raising the necessary funds

to enable the Company to proceed with its exploration programmes and to optimise its ongoing operations.

During the year the Company raised €1,291,304, net of expenses, through the issue of 15,852,941 new ordinary shares, the details of which are set out in Note 10 to the accounts. Since the year end a further placing of 25,000,000 shares raising £1,250,000 sterling (approximately €1,700,000 net of expenses) leaving the Company well funded and in a strong financial position to build on the excellent results achieved in our exploration to date.

Auditors

I would like to take the opportunity of thanking the partners and staff of KPMG for their services to your Company.

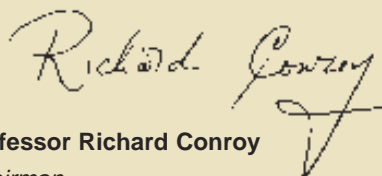
Directors, Consultants and Staff

I would like to express my continued appreciation of the support and dedication of the directors, consultants and staff.

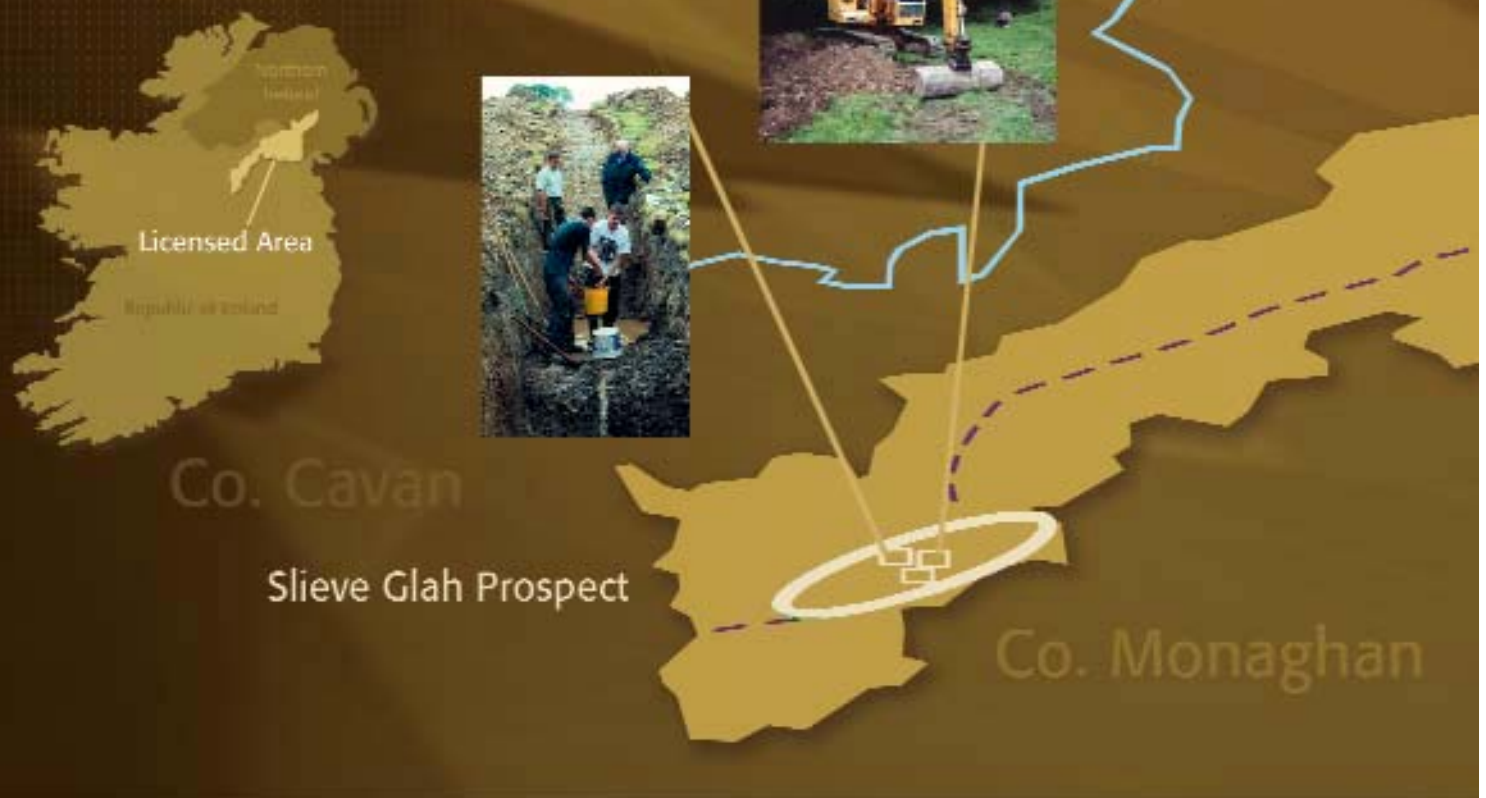
I regret to report with great sadness the death of Mr. Henry B. Knott. Mr. Knott has been a director of your Company since its foundation. His dedication, experience, advice and support contributed to a major degree to the success of your Company.

Future Outlook

Your Company can look to the future with considerable confidence. We have potentially a new gold mining province in Ireland, together with further excellent results from our diamond exploration programme in Finland.



Professor Richard Conroy
Chairman



Introduction

During the past year, Conroy has continued to advance its exploration programmes in both Ireland and Finland. Significant progress has been made on both fronts, and in particular in our gold exploration programmes in Ireland. Highlights include the discovery of a fourth area of gold mineralisation, at Corcaskea in Co. Monaghan, and the discovery of an exciting new gold prospect at Ballygreany, also in Co. Monaghan. The Company has also increased its ground holding in the Longford-Down Massif with the addition of a new licence in Co. Armagh. This licence is contiguous with Conroy's licences in Northern Ireland and in the Republic of Ireland, and increases Conroy's ground holding to approximately 1,500km².

The latest discoveries at Ballygreany and Corcaskea, added to previous discoveries made within the Armagh-Monaghan Gold Belt reinforce the validity of Conroy's exploration model and adds further weight to the theory that the Longford-Down Massif, of which the Armagh-Monaghan Gold Belt is part, could be host to a number of separate gold deposits.

In Finland the Company has discovered further kimberlitic and diamond indicator minerals "up ice" from the previously recovered indicator minerals. This suggests that the Company may be closer to a possible kimberlitic source.

In addition, Conroy's technical staff submitted a paper to the 3rd NAMS Conference in Dublin in September. This paper highlighted the importance of the exploration programmes being conducted by Conroy in the Longford-Down Massif, and highlighted their significance in a global context.

Longford-Down Massif – Background

The Longford-Down Massif is a major geological feature stretching from Co. Longford in the Republic of Ireland to Co. Down in Northern Ireland that is currently the focus of gold exploration by Conroy Diamonds and Gold P.I.c. It is an area of Ordovician and Silurian aged, mainly clastic rocks. Within the Massif, numerous minor deposits of lead, zinc, iron and antimony have been historically worked. Conroy has defined an area within the



Co. Armagh

Armagh-Monaghan Gold Belt



Massif measuring approximately 60km², which is termed the Armagh-Monaghan Gold Belt, and within which, to date, two gold deposits have been identified, namely Tullybuck-Lisglassan and Cargalisgorran.

The Longford-Down Massif is seen as part of the Appalachian-Caledonian Orogen, a major feature extending from eastern North America to Scandinavia. The Orogen is seen as a “two sided symmetrical system” with the Ordovician and Silurian rocks of the Massif forming a Palaeozoic mobile belt between Pre-Cambrian/Palaeozoic Platforms. The clastic rocks and ultimately the mineralisation record the formation, development and destruction of the early Palaeozoic Iapetus Ocean.

Gold deposition within the Armagh-Monaghan Gold Belt appears to be localised by structural controls and is associated with sulphides, hydraulic fracturing and a probable magmatic source that interacted with formation waters.

Conroy has developed a genetic model for gold mineralisation in the Longford-Down

Massif which is linked to the development of an accretionary clastic sedimentary prism, crustal subduction of the Iapetus Ocean floor, emplacement of granodioritic magmatic material and the development of regional strike-slip faulting. The Longford-Down Massif has a high prospectivity for gold that is only presently being recognised, through the recent discoveries made by Conroy.

Armagh-Monaghan Gold Belt – Exploration

During the past year, two significant new gold discoveries have been made in the Armagh-Monaghan Gold Belt, at Corcaskea and Ballygreany, both in Co. Monaghan. These are in addition to the previous discoveries at Tullybuck-Lisglassan in Co. Monaghan, and Cargalisgorran and Tivnacree in Co. Armagh.

Corcaskea

At Corcaskea, initial soil sampling outlined a gold in soil anomaly measuring approximately 400m long, orientated in a NNW-SSE direction. Four trenches totalling 136m were completed over the central part of the anomaly as part of the follow up programme. Corcaskea lies approximately 1km north of Tullybuck-Lisglassan.

This trenching to bedrock successfully established the presence of significant gold mineralisation in the Corcaskea area. Three of the four trenches intersected a wide fault zone with gold mineralisation associated with fault gouge and breccia and disseminated sulphides. Better results from this trenching exercise include 12m @ 4.92 g/t (CKT2) and 23m @ 2.25 g/t (CKT4).

Subsequent drilling at Corcaskea confirmed that gold mineralisation is associated with a NNW trending flat lying fault zone. This fault zone is similar to those known to host high grade gold mineralisation at Tullybuck-Lisglassan, and the style of mineralisation is the same, with gold seen to be associated with fault breccia, wallrock alteration and the development of sulphide mineralisation. Drillhole CKD1 intersected this fault zone at 6.35m down hole and returned an intersection of 1.76g/over 3.65m.

Ballygreany

Initial geochemical survey results at Ballygreany indicated gold anomalism in soils over a widespread area (approximately 3.5km²).

A follow up survey involving a closely spaced grid based sampling programme was subsequently carried out over part of this large gold anomaly. The results of this programme indicated the presence of a well defined, bedding parallel gold anomaly, measuring approximately 500m x 125m. The gold values recorded in soils in this area were unusually high and included several samples of over 500 parts per billion gold. Ballygreany lies less than 1km due east of Tullybuck-Lisglassan.

Follow up trenching at Ballygreany has confirmed two separate zones of gold in bedrock. Grab samples from the trenches returned grades of up to 2.25 g/t Au and channel sampling returned 8m @ 0.78 g/t Au.

Gold mineralisation is broadly associated with zones of conformable quartz-ankerite veins hosted within sheared medium grained arenites with interbedded argillites. Within these zones, gold mineralisation is intimately associated with sulphide mineralisation, which is present in the form of pyrite disseminated in the host rocks. The quartz rich zones strike approximately ENE-WSW, which is parallel to the strike of the 500m long gold in soil anomaly outlined previously.

The numerous styles and occurrences of gold mineralisation now known in the Armagh-Monaghan Gold Belt are interpreted as being part of a larger mineralised system controlled by common structural elements.

The Company sees these new discoveries as highly significant, and adding further weight to the theory that the Longford-Down Massif, of which the Armagh-Monaghan Gold Belt is part, could be host to a number of separate gold deposits. These latest discoveries, allied with the previous discoveries at Tullybuck-Lisglassan, Cargalisgorran and Tivnacree, all demonstrate the vast potential of the Armagh-Monaghan Gold Belt, and on a broader scale, the Longford-Down Massif. It is the Company's firm view that the Longford-Down Massif has



Significantly, the total number of indicator minerals recovered is higher than from the previous programmes completed last year. This suggests the latest sampling points are located closer to possible kimberlitic sources.



the potential to become a new gold mining province and recent results would seem to substantiate such a belief.

Other Exploration

At Slieve Glah in Co. Cavan, some 45km to the southwest of the Armagh-Monaghan Gold Belt, the Company has identified a large (3.5km by 1.5km) gold in soil anomaly. Preliminary trenching across part of this soil anomaly has confirmed the presence of gold in bedrock. The trend of the Orlock Bridge Fault shows a marked deviation to the south at Slieve Glah. Such deviations can often lead to the formation of dilation zones with which large-scale mineralisation is sometimes associated.

Finland

Further kimberlitic and diamond indicator minerals have been recovered in the Company's latest till sampling programmes in eastern Finland. Significantly, the total number of indicator minerals recovered is higher than from the previous programmes completed last year. This suggests the latest sampling points are located closer to possible kimberlitic sources.

Once again the sampling was undertaken on behalf of Conroy by the Geological Survey of Finland. Further G9 and G10 garnets were

recovered, thus both confirming and enhancing the previous anomalies identified by Conroy in eastern Finland. Such garnets are formed under the same temperature and pressure conditions as diamonds and are considered to be particularly good indicators of the likely presence of diamonds. In order to follow the previously identified indicator trains back to their possible kimberlitic sources, the latest sampling programmes were targeted "up ice" from the earlier work. The main ice flow direction in the area is well established as having been from the NW. Since studies have shown that the glacial tills in this part of Finland have been transported only a relatively short distance, the source of the indicator minerals is thought to be nearby.

Conroy's licence areas in eastern Finland are underlain by the Karelian Craton, a block of ancient Archaean crustal rocks stretching from Finland into Russia where it hosts the Grib kimberlite pipe containing an estimated resource of 67m carats of diamonds. Diamondiferous kimberlites are largely confined to stable cratons of Archaean age which exhibit low heat flow and a thick crustal zone. The Karelian Craton in Finland is known to have such characteristics.

COMPANY INFORMATION

Directors

Professor Richard Conroy
*Chairman**

Maureen T.A. Jones
*Managing Director**

James P. Jones
*Finance Director***

Louis J. Maguire
*Non-Executive Director**§*

Dr. Pamela Conroy
Non-Executive Director§

Henry H. Rennison
*Non-Executive Director**§*

* *Member of the Executive Committee*

+ *Member of the Remuneration Committee*

§ *Member of the Audit Committee*

Company Secretary and Registered Office

James P. Jones
10 Upper Pembroke Street
Dublin 2
Ireland

Auditors

KPMG

1 Stokes Place
St. Stephen's Green
Dublin 2

Registrars

Capita Corporate Registrars P.I.c.
Unit 5
Manor Street Business Park
Manor Street
Dublin 7

Nominated Adviser

Seymour Pierce Limited
Head Office
Bucklersbury House
3 Queen Victoria Street
London EC4N 8EL

Nominated Broker

Seymour Pierce Ellis Limited
Talisman House
Jubilee Walk
Three Bridges, Crawley
West Sussex RH10 1LQ

Dublin Stockbrokers

Dolmen Butler Briscoe
Dolmen House
4 Earlsfort Terrace
Dublin 2

Legal Advisers

William Fry Solicitors
Fitzwilton House
Wilton Place, Dublin 2

Roschier-Holmberg
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00 100 Helsinki
Finland

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Fax: 353-1-662 1213
Email: conroydg@indigo.ie

For further information visit the Company's website at:
www.conroydiamondsandgold.com

or contact:
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Triton Court, Finsbury Square
London EC2A 1BR
Tel: 44-20-7628-5518



Professor Richard Conroy



Maureen T.A. Jones



James P. Jones F.C.A.



Dr. Pamela Conroy



Henry H. Rennison



Louis J. Maguire



CONROY
DIAMONDS AND GOLD Pl.c.

FINANCIAL INFORMATION

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DIRECTORS' REPORT

for the Year Ended 31 May 2003

The Directors present their annual report, together with the audited financial statements of Conroy Diamonds and Gold P.l.c. for the year ended 31 May 2003.

Principal Activities and Business Review

The current focus of the Company's activities is on a major geological structure in Ireland known as the Longford-Down Massif. The Company has acquired prospecting licences over an area of almost 1,500km². On one small portion of this licence area, at Clontibret in Co. Monaghan, the Company has intersected high grades and mineable widths of gold mineralisation in the Tullybuck-Lisglassan deposit, which, the Directors believe, has the potential to become the first major gold mine in Britain or Ireland in recent times. Recent drilling of the Tullybuck-Lisglassan deposit has yielded further promising results.

Exploration within the Company's licence area has demonstrated, in addition to the Tullybuck-Lisglassan gold deposit, an extensive gold belt which extends over a distance of up to 18km from Co. Armagh into Co. Monaghan. Geochemical surveys within this gold belt point to the existence of lookalike units to Tullybuck-Lisglassan, with the potential to host further similar mineral deposits. In the prior year a new gold deposit was discovered at Cargalisgorran in Co. Armagh on one of the anomalies identified in the Geochemical survey.

The Company has also acquired claim reservations in Finland which have diamond and gold prospects.

Future Development of the Business

It is the intention of the Directors to continue to develop the activities of the Company. Further strategic opportunities in mineral resources, both in Ireland and abroad, will be sought by the Company.

Results for the Year and State of Affairs at 31 May 2003

The profit and loss account for the year ended 31 May 2003 and the balance sheet at that date are set out on pages 17 and 18 respectively. The Company recorded a loss for the financial year of €341,502 (2002 – €347,862). Having accounted for the loss and the net proceeds of the share issues to raise €1,291,304 the shareholders' funds increased to €4,435,397 at 31 May 2003 from €3,485,595 at 31 May 2002.

No dividends or transfers to reserves are recommended by the Directors.

Important Events since the Year End

The Company announced significant results from its exploration programme in the Armagh-Monaghan Gold Belt. In September 2003 25,000,000 ordinary shares of €0.03 were issued for a consideration of 5p sterling per share to fund further mineral exploration. This realised €0.072 per share resulting in a premium of €0.042 per share. All the funds have been received.

Health and Safety at Work

The well-being of the Company's employees is safeguarded through adherence to health and safety standards in accordance with the requirements of the Safety, Health and Welfare at Work Act, 1989.

Directors

The Directors who served during the year are as follows:

R.T.W.L. Conroy	P. Conroy
J.P. Jones	L.J. Maguire
M.T.A. Jones	H.B. Knott
H.H. Rennison	

The Board reports, with great sadness and regret, the death of Mr. Henry B. Knott. Mr. Knott has been a director of your Company since its foundation. His dedication, experience, advice and support contributed to a major degree in the success of your Company.

In accordance with the Company's Articles of Association, Dr. Pamela Conroy and Mr. Louis J. Maguire will retire by rotation and, being eligible, will offer themselves for re-election at the Annual General Meeting.

Directors' and Secretary's Shareholdings and Other Interests

The interests of the Directors and Secretary, all of which were beneficially held, in the ordinary share capital of the Company at 31 May 2002 and 31 May 2003 were as follows:

	At 31 May 2002		At 31 May 2003	
	Ordinary Shares of €0.03 Each	Options	Ordinary Shares of €0.03 Each	Options
R.T.W.L. Conroy	3,750,010	1,000,000	3,800,010	1,500,000
M.T.A. Jones	750,010	325,000	755,010	700,000
J.P. Jones	350,010	275,000	350,010	550,000
H.H. Rennison	330,010	50,000	330,010	50,000
P. Conroy	500,010	125,000	500,010	125,000
L.J. Maguire	310,010	50,000	310,010	50,000
H.B. Knott	150,010	25,000	–	–

Details of the options, all of which are exercisable currently, are as follows:

Directors	At 31 May 2002	Granted During Year	At 31 May 2003	Price €	Expiry Date
R.T.W.L. Conroy	1,000,000	–	1,000,000	0.2539	4 December 2010
R.T.W.L. Conroy		500,000	500,000	0.0800	14 March 2013
M.T.A. Jones	325,000	–	325,000	0.2539	4 December 2010
M.T.A. Jones		375,000	375,000	0.0800	14 March 2013
J.P. Jones	275,000	–	275,000	0.2539	4 December 2010
J.P. Jones		275,000	275,000	0.0800	14 March 2013
H.H. Rennison	50,000	–	50,000	0.2539	4 December 2010
P. Conroy	125,000	–	125,000	0.2539	4 December 2010
L.J. Maguire	50,000	–	50,000	0.2539	4 December 2010
H.B. Knott	25,000	–	25,000	0.2539	4 December 2010

DIRECTORS' REPORT

Except as disclosed above, neither the Directors nor their families had any beneficial interest in the share capital of the Company. There have been no contracts or arrangements entered into during the financial year in which a Director of the Company had a material interest and which were significant in relation to the Company's business.

Substantial Shareholdings

So far as the Board is aware, no person or company, other than the Directors' interests disclosed above and the shareholder listed below, held 3% or more of the issued ordinary share capital of the Company at 31 May 2003

Name	Number of Shares	%
Gartmore Fund Managers Limited	2,346,000	6.42

Political Donations

There were no political donations during the year.

Books of Account

The measures which the Directors have taken to ensure that proper books of account are kept are the adoption of suitable policies for recording transactions, assets and liabilities, the employment of appropriately qualified staff and the use of computer and documentary systems. The Company's books of account are kept at 10 Upper Pembroke Street, Dublin 2.

Directors' Responsibility Statement

Company law requires the Directors to prepare financial statements for each year which 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 year. In preparing the financial statements, the Directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent.

As explained in Note 1 to the financial statements, the Directors have reviewed cashflow projections and other relevant information and are satisfied that the Company will be able to continue in operation for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

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 Acts 1963 to 2001. 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.

Auditors

The auditors, KPMG, Chartered Accountants have expressed their willingness to continue in office in accordance with Section 160 (2) of the Companies Act, 1963.

On behalf of the Board

R.T.W.L. Conroy
Director

J.P. Jones
Director

11 November 2003

INDEPENDENT AUDITORS' REPORT

to the Shareholders of Conroy Diamonds and Gold P.l.c.

We have audited the financial statements on pages 17 to 27 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on pages 20 and 21.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and Irish Accounting Standards are set out in the Statement of Directors' Responsibilities.

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

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 Acts. We also report to you whether, in our opinion: proper books of account have been kept by the Company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given

in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information necessary for the purposes of our audit and whether the Company's balance sheet and its profit and loss account are in agreement with the books of account.

We report to the shareholders if, in our opinion, any information required by law regarding directors' remuneration and directors' transactions is not given and, where practicable, include such information in our report.

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

Basis of Opinion

We conducted our audit in accordance with 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.

INDEPENDENT AUDITORS' REPORT

Mineral Interests

In forming our opinion, we considered the adequacy of the disclosures made in the financial statements, particularly in Note 6 in relation to the Directors' assessment of the carrying value of the Company's mineral interests held outside the cost pools of €5,198,758. In view of the significance of this uncertainty, we consider that this should be drawn to your attention. Our opinion is not qualified in this respect.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company at 31 May 2003 and of its loss and cashflows for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2001.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Company. The Company's financial statements are in agreement with the books of account.

In our opinion, the information given in the Directors' report on pages 12 to 14 is consistent with the financial statements.

The net assets of the Company, as stated in the balance sheet on page 18 are more than half of the amount of its called up share capital and, in our opinion on that basis there did not exist at 31 May 2003, a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

KPMG

*Chartered Accountants
and Registered Auditors, Dublin*

11 November 2003

PROFIT AND LOSS ACCOUNT

for the Year Ended 31 May 2003

	<i>Notes</i>	2003 €	2002 €
Operating Expenses	2	(342,656)	(355,245)
Other Income		1,154	7,383
Loss for the Year	3	(341,502)	(347,862)
Profit and Loss Account at 31 May 2002		(1,091,656)	(743,794)
Profit and Loss Account at 31 May 2003		(1,433,158)	(1,091,656)
Loss per ordinary share – Basic and fully diluted	5	(€0.013)	(€0.019)

There are no recognised gains or losses other than the loss for the year.

The accompanying notes form an integral part of this profit and loss account.

R.T.W.L. Conroy
Director

J.P. Jones
Director

Approved by the Directors on 11 November 2003

31 May 2003

	<i>Notes</i>	2003 €	2002 €
Fixed Assets			
Mineral interests	6	5,198,758	4,250,337
Tangible assets	7	56,814	66,746
		5,255,572	4,317,083
Current Assets			
Debtors	8	4,919	19,449
Cash at bank and in hand		302,835	208,549
		307,754	227,998
Creditors: Amounts falling due within one year	9	(1,127,929)	(1,059,486)
Net Current Liabilities		(820,175)	(831,488)
Net Assets		4,435,397	3,485,595
Capital and Reserves			
Called up share capital	10	1,096,320	620,732
Capital Conversion Reserve Fund	10	30,617	30,617
Share premium account	10	4,741,618	3,925,902
Profit and loss account		(1,433,158)	(1,091,656)
Shareholders' Funds – all equity	11	4,435,397	3,485,595

The accompanying notes form an integral part of this balance sheet.

R.T.W.L. Conroy
Director

J.P. Jones
Director

Approved by the Directors on 11 November 2003

CASH FLOW STATEMENT

for the Year Ended 31 May 2003

	<i>Notes</i>	2003 €	2002 €
Net Cash Outflow from Operating Activities	<i>12A</i>	(239,552)	(199,579)
Capital expenditure and financial investments	<i>12B</i>	(957,466)	(1,008,031)
Net Cash Outflow before Financing		(1,197,018)	(1,207,610)
Financing	<i>12B</i>	1,291,304	411,489
Increase/(Decrease) in Cash	<i>12C</i>	94,286	(796,121)

The accompanying notes form an integral part of this cash flow statement.

R.T.W.L. Conroy
Director

J.P. Jones
Director

Approved by the Directors on 11 November 2003

STATEMENT OF ACCOUNTING PO

The financial statements have been prepared under the historical cost convention. The Company's principal accounting policies are set out below. All of these policies have been applied consistently throughout the year.

A. Mineral Interests

i Exploration, appraisal and development expenditure

The Company accounts for mineral expenditure under the 'full cost' method of accounting.

Exploration, appraisal and development expenditure is incurred on acquiring, exploring or testing exploration prospects. All lease, licence and property acquisition costs, geological and geophysical costs and other direct costs of exploration, appraisal and development are capitalised. The amount capitalised includes other operating expenses directly related to these activities.

ii Cost Pools

Costs relating to the exploration and appraisal of mineral interests which the Directors consider to be unevaluated are initially held outside the cost pool. Costs held outside the cost pool are reassessed at each year end. When a decision to develop these interests is taken, or if there is evidence of impairment, the related costs will be transferred to the cost pool or amortised to the profit and loss account as necessary. Costs will be capitalised within geographic cost pools which initially comprise Ireland and the rest of the world.

Proceeds from any disposal of part or all of an interest which is outside the cost pool will be credited to that interest with any excess being credited to the cost pool.

iii Ceiling Test

When a decision to develop mineral interests is taken, and the related costs are transferred to the cost pool a ceiling test will be carried out at each balance sheet date to assess whether the net book value of capitalised costs in the pool, together with the future costs of development of undeveloped reserves, is covered by the discounted future net revenues from the reserves within the pool, calculated at prices prevailing at the year end. Any deficiency arising will be provided for to the extent that, in the opinion of the Directors, it is considered to represent a permanent diminution in the value of the related asset, and where arising, will be dealt within the profit and loss account as additional depreciation.

iv Depreciation

Expenditure within the cost pool will be depreciated using the unit of production method based on commercial reserves. Costs used in the unit of production calculation will comprise the net book value of capitalised costs plus the anticipated future costs of development of the undeveloped reserves at current year end unescalated prices. Changes in cost and reserve estimates are dealt with prospectively.

B. Issue Expenses and Share Premium Account

Issue expenses arising on the issue of equity securities are written off, in the first instance, against the share premium account, with any issue expenses in excess of the balance on the share premium account being written off to the profit and loss account.

C. Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis to write off the cost less estimated residual value of the assets over their estimated useful lives as follows:

Motor vehicles	5 years
Office equipment	8 years

D. Taxation

Current tax is provided on the Company's taxable profits at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which future reversal of underlying timing differences can be deducted.

31 May 2003

1. Operations and Going Concern

The Company is an exploration company and is currently involved in the development of mineral exploration opportunities, principally in the Longford-Down Massif.

During the year €1,291,304, net of expenses, was raised by the issue of new share capital.

Subsequent to the year-end the Company raised approximately €1,700,000 net of expenses through the issue of 25,000,000 ordinary shares of €0.03 for a consideration of 5p sterling per share. This share issue realised €0.072 per share resulting in a premium of €0.042 per share.

The finance raised will be used to continue to develop the Company's activities.

On the basis of their review of projected cash flow information, existing commitments and taking into account the above funding together with the very encouraging results obtained from the exploration programme, the Directors consider it appropriate to prepare the financial statements on the going concern basis.

2. Operating Expenses

	2003 €	2002 €
Management services and operating expenses (a)	918,069	944,597
Transfer to mineral interests (Note 6)	(575,413)	(589,352)
	342,656	355,245

- a The Company had eleven employees during the period (2002 – eight). The remuneration charged during the period comprised salary of €551,576, social welfare costs of €29,056 and pension costs of €90,764 (2002 – €417,329, €22,816 and €90,764 respectively).

3. Loss on Ordinary Activities before Taxation

The loss on ordinary activities before taxation is arrived at after charging the following items, which are stated at amounts prior to the re-allocation to mineral interests:

	2003 €	2002 €
Auditors' remuneration	15,500	15,872
Directors' emoluments		
• fees	79,359	79,359
• other including pension contributions	403,647	410,071

