ANNUAL REPORT AND FINANCIAL STATEMENTS 2010

CONROY
DIAMONDS AND GOLD P.l.c.

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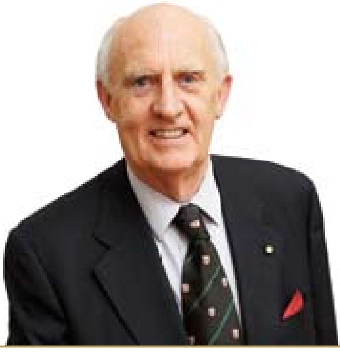
Chairman's Statement



Professor Richard Conroy
Chairman

I have pleasure in presenting your Company's Annual Report and Financial Statements for the 12 months ended 31 May 2010. The year has been a highly successful one for your Company.

During the year the Company has moved from the purely exploration stage to the scoping stage for mine development at Clontibret, in Co. Monaghan. Clontibret is but one of your Company's targets along the thirty mile gold trend, discovered in the Longford-Down Massif. Seven km from Clontibret, drilling has confirmed the presence of gold in bedrock at the potentially very large Clay Lake target in Co. Armagh. In addition, the zinc discovery on your Company's licence area to the south of the Clay Lake target has been shown to be extensive.

The Company has also enjoyed the support of a number of investors for fund raisings during the period, which raised in excess of €3 million. This has allowed your Company to expedite its move from purely exploration towards development.

Gold Exploration and Development

Clontibret Target

The transformation of your Company from being entirely focused on exploration to a potential gold producer was marked by the initiation of scoping studies at its gold target at Clontibret in Co. Monaghan where your Company has identified a one million oz gold resource on 20 per cent of the target. Wardrop Engineering Inc has been appointed to carry out the scoping study on this part of the Clontibret target. Wardrop has been working in the global mining industry since the early 1960s and is at the forefront of gold mining expertise.

The scoping studies will involve a preliminary mine plan, which will be the basis for determining whether or not to proceed with infill drilling on this part of the anomaly and the more detailed engineering work involved in the prefeasibility and feasibility studies.

The scope of the work includes the following: Geology, including Regional Geology, Resource Review, Deposit Types and Mineralisation; Mine Plan and Production, Metallurgy and Plant Design, Infrastructure/Utilities and Ancillary Facilities, Mine Water and Waste Management, Capital and Operating Costs Estimates and Financial Analysis.

Post year-end Golder Associates were appointed as environmental consultants to the project. Golder has extensive mine development experience in Ireland, across Europe and worldwide. It is widely recognised for setting industry standards in a range of fields including environmental and health and safety standards for mining.

Clay Lake Target

The first drill holes at Clay Lake have returned positive results on this very large gold target in Co. Armagh, seven km to the Northeast of the Clontibret target. The Clay Lake anomaly which covers an area of approximately 141 ha, is larger than the Clontibret anomaly (125ha), and has returned the highest gold-in-soil values ever recorded by your Company on its Irish exploration licences, up to 1.53 g/t gold.

Further step out drill holes have also been successful. Intersections have included 63 metres of 0.62g/t gold and 1g/t silver including nine metres of 1.48g/t gold and 1 g/t silver, 14 metres of 0.72g/t gold, four metres of 2.29 g/t gold, three metres of 2.74 g/t gold and two metres of 1.78 g/t gold.

As well as a number of gold intersections being encountered a wide zone of quartz stockwork mineralisation has also been established. Similar to the Clontibret gold mineralisation it occurs at surface and continues at depth and is open in all directions.

The presence of elevated silver values at Clay Lake is significant in its own right and also indicates that the gold at Clay Lake has different characteristics to that found in the Clontibret deposit.

The Clay Lake target which may well be the source area of the Clay Lake Nugget, a 28 gramme gold nugget found in the mid 1980s and now in the Ulster Museum, has shown very encouraging results to date. All the holes drilled so far at the Clay Lake target are in the top corner of the anomaly (which is two km long and one km wide) and all have intersected gold.

We believe that the size of the anomaly, its continuity and the results to date confirm the Board's view that the Clay Lake target is even more prospective than the Clontibret target.

Zinc Discovery

An extensive zinc anomaly has been discovered during the course of your Company's exploration on its prospecting licences in Counties Armagh and Monaghan.

The discovery is located to the Southeast of the gold discovery at Clontibret and to the Southwest of your Company's gold discovery at Clay Lake.

The anomaly at first was thought to be a series of separate anomalies, but has now been shown to be a single extensive anomaly covering an area of approximately 100 km2. Very high soil values of up to 4,047ppm have been returned (normal background values in the Longford-Down Massif are generally below 200ppm).

The geology of the area is comparable to the Caledonian geology of Scandinavia which hosts stratabound base metal sulphide deposits. In the nineteenth century shallow lead and zinc mines were worked in the local area as well as the antimony mine at Clontibret. These base metal findings provide further evidence that a significant metalliferous system is present in the Clay Lake and Clontibret areas.

Our primary focus as a Company remains the delineation of our gold discoveries. However, we cannot ignore the possibility that we may have made a significant zinc discovery. If confirmed it would be a welcome addition to the gold potential of the Company's licence areas.

Exploration Elsewhere

Exploration continued on your Company's exploration licences elsewhere in Ireland, fulfilling all work commitments, and also in Finland.

Change of Name

So much progress has been made in relation to your Company's gold and base metal interests and as the Company no longer has any diamond interests, it would seem appropriate to rename the Company – Conroy Gold and Natural Resources Plc. A resolution will therefore be put forward for shareholder's consideration at the forthcoming Annual General Meeting.

Enterprise Securities Market of the Irish Stock Exchange

Your Company already attracts the interest of many Irish investors because of our exploration success in Ireland and in December 2009 your Company's shares were admitted to trading on the Enterprise Securities Market ("ESM") (The Irish Stock Exchange's specialist market for smaller growth companies is an exchange regulated market). The addition of a euro quotation on ESM also facilitates trading in the Company's shares by both Irish and international investors who choose to trade in Euro.

Finance

The loss after taxation for the year ended 31 May 2010 was €290,445 (2009: €298,119) and the net assets as at 31 May 2010 were €9,344,116 (2009: €6,159,903). Cash at bank as at 31 May 2010 was €1,648,160 (2009: €61,744).

As in previous years, I have supported the working capital requirements of the Company and in the period under review have advanced loans to the value of €190,000 and the balance of the loans due to me at the period end was €1,284,576. The loans have been made on normal commercial terms. The other Directors consider, having consulted with the Company's Nominated Adviser and the Company's ESM Adviser, that the terms of the loans are fair and reasonable in so far as the Company's shareholders are concerned.

During the year fund raisings totalling €3,000,632 were completed and I converted €325,000 of my loans to the Company into shares.

Subsequent to the year end and the announcement of the preliminary results, a further £1,800,000 sterling, prior to expenses,was raised by the issue of 30,000,000 shares for cash at a price of 6 pence per share and I converted a further €687,540 (the equivalent of £600,000 sterling) of my loans into shares at the same price.

Auditors

I would like to take the opportunity of thanking the partners and staff of Deloitte & Touche for their services to your Company during the course of the year.

Directors, Consultants and Staff

I would also like to express my deep appreciation of the support and dedication of the Directors, Consultants and Staff, which has made possible the continued progress and success, which your Company has achieved.

I am also pleased to welcome Dr Sorċa Conroy to the Board following a successful medical career and having independently achieved success and broad ranging city experience. Her knowledge, skills and experience will significantly contribute to the Company as it moves into a new phase of development.

Future Outlook

Much progress has been made; and the possibilities are very exciting as we move into a new phase of development. We have already made further excellent progress in the year to date and I look forward to the future with confidence.

Richard Conroy

Professor Richard Conroy
Chairman

11 November 2010

Company Information

Directors

Professor Richard Conroy
*Chairman**

Maureen T.A. Jones
*Managing Director**

James P. Jones FCA
*Finance Director**

Louis J. Maguire
Non-Executive Director+§*

Michael E. Power
Non-Executive Director§*

Seamus P. FitzPatrick
Non-Executive Director+§

C. David Wathen
Non-Executive Director+

Henry H. Rennison
*Non-Executive Director**

Dr. Sorċa C. Conroy
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 FCA
10 Upper Pembroke Street
Dublin 2
Ireland

Auditors

Deloitte & Touche
Chartered Accountants
Deloitte & Touche
Charlotte Quay
Limerick

Registrars

Capita Corporate Registrars Plc
Unit 5
Manor Street Business Park
Manor Street
Dublin 7

www.capitacorporateregistrars.ie

Nominated Adviser

Merchant Securities Limited
51-55 Gresham Street
London EC2V 7HQ

Broker

XCAP Securities Ltd
24 Cornhill
London EC3V 3ND
UK

ESM Adviser

IBI Corporate Finance
40 Mespil Road
Dublin 4

Dublin Stockbrokers

Dolmen Butler Briscoe
75 St. Stephen's Green
Dublin 2

Principal Bankers

National Irish Bank
138 Lower Baggot Street
Dublin 2

Legal Advisers

William Fry Solicitors
Fitzwilton House
Wilton Place
Dublin 2

Roschier-Holmberg
Keskuskatu 7A
00 100 Helsinki
Finland

Head Office

Conroy Diamonds and Gold Plc
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Dublin 2

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For further information visit the Company's website at:

www.conroydiamondsandgold.com

or contact:

Lothbury Financial Services
68 Lombard Street
London EC3V 9LJ
UK

Tel: +44 20 7868 2010

Standing, left-right: Louis J. Maguire, Non-Executive Director; C. David Wathen, Non-Executive Director; Seamus P. FitzPatrick, Non-Executive Director; Sorċa Conroy, Non-Executive Director; and Michael E. Power, Non-Executive Director. Seated, left-right: Maureen T.A. Jones, Managing Director; Professor Richard Conroy, Chairman; James P. Jones, Finance Director; and Henry H. Rennison, Non-Executive Director.

Report of the Directors

The Directors present their annual report, together with the audited financial statements of Conroy Diamonds and Gold Plc for the year ended 31 May 2010.

Principal Activities and Business Review

The Company's exploration programme in Ireland is focused on the Longford-Down Massif. It is engaged in active exploration there, which has already led to the discovery of a series of gold targets along a 30 mile (50 km) area stretching from County Armagh across Counties Monaghan and Cavan.

At the most advanced of these targets, Clontibret in County Monaghan, a mineral resource of over one million ounces of gold (Indicated 440,000 ounces, Inferred 590,000) has been estimated for an area representing less than 20% of the target. Drilling on the remaining 80% of the Clontibret anomaly is expected to further increase this resource. This is the largest gold resource reported to date in Ireland or the UK.

The Company has also acquired licences in Finland's Central Lapland Greenstone Belt, which it believes to be highly prospective for gold and has an ongoing exploration programme there.

Further information concerning the activities of the Company and its future prospects is contained in the Chairman's Statement.

Future Development of the Business

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

Risks and Uncertainties

The Company's activities are directed towards the discovery, evaluation and development of mineral deposits. Exploration for and development of mineral deposits is speculative. Whilst the rewards can be substantial, there is no guarantee that exploration on the Company's properties will lead to the discovery of commercially extractable mineral deposits. The future net asset value is therefore, *inter alia*, dependent on the success or otherwise of the Company's future exploration programmes. Whether a mineral deposit will be commercially viable in a mining operation depends on a number of factors, such as the grade of the deposit, prices of the commodities being exploited, currency fluctuations, proximity to infrastructure, financing costs and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, import and export regulations and environmental protection.

The Company needs equity capital and financing for working capital and exploration and development of its properties. Due to continuing operating losses, the Company's continuance as a going concern is dependant upon its ability to obtain adequate financing and reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful, or if the Company will attain profitable levels of operations. Therefore the Company is exposed to the risk of not being able to raise the appropriate finance to see a project to fruition.

Key Performance Indicators

Currently the Company's main KPI is in relation to the estimated resource potential on the discovery and development of economic deposits of gold in Ireland and Finland. In addition, the Company reviews expenditure incurred on exploration projects together with maintaining review of ongoing operating costs.

Results for the Year and State of Affairs at 31 May 2010

The balance sheet as at 31 May 2010 and the income statement for the year are set out on pages 14 and 15 respectively. The Company recorded a loss for the financial year of €290,445 (2009: Loss €298,119). Taking account of the current year loss the equity increased to €9,344,116 at 31 May 2010 from €6,159,903 at 31 May 2009.

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

Important Events Since the Year End

For important events which have occurred since year end, refer to Note 19 which accompanies these financial statements.

Going Concern

As explained in Note 2 to the financial statements, the Directors have reviewed cash flow 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.

Directors

The Directors who served during the year are as follows:

R.T.W.L. Conroy	S.P. FitzPatrick
J.P. Jones	L.J. Maguire
M.T.A. Jones	M.E. Power
H.H. Rennison	C.D. Wathen
S.C. Conroy	

In accordance with the Company's Articles of Association, Mr. James Jones, Mr. Henry Rennison and Miss Maureen Jones will retire by rotation and, being eligible, will offer themselves for re-election at the Annual General Meeting.

Report of the Directors *continued*

Since the last Annual General Meeting, on 19 April 2010, Dr. Sorċa Conroy has been appointed a Director. Dr. Conroy now retires in accordance with the Company's Articles of Association and, being eligible, offers herself for re-election.

Details of Directors

Professor Richard Conroy, Chairman of the Board, has been involved in natural resources for many years. He established Trans-International Oil in 1974, which was primarily involved in Irish offshore oil exploration, and initiated the Deminex Consortium which included Deminex, Mobil, Amoco & DSM. Trans-International Oil was merged with Aran Energy Plc in 1979.

Professor Conroy founded Conroy Petroleum and Natural Resources Plc which in 1986 made the very significant discovery of the Galmoy zinc deposit in Co. Kilkenny which is now in production as a major base metal mine. Conroy Petroleum was also a founding member of the Stoneboy consortium, an exploration group which discovered the POGO gold field in Alaska, now in production as a major gold mine. Conroy Petroleum acquired Atlantic Resources Plc in 1992 and was renamed ARCON International Resources Plc (ARCON). Professor Conroy was Chairman and Chief Executive of ARCON from 1980 to 1994.

Professor Richard Conroy is an Emeritus Professor of Physiology in the Royal College of Surgeons in Ireland. His research has included pioneering work on the effects of Circadian Rhythms including Jet Lag, Shift Working and Decision Taking in Business after Intercontinental Flights.

Professor Conroy served for two terms in the Irish Parliament as a member of the Senate. As a Senator he was at various times front bench spokesman for the Government party in the Upper House on Energy, Industry and Commerce, Foreign Affairs and Northern Ireland.

Miss Maureen Jones, Managing Director, has many years experience in natural resources. She also has a medical background, as a radiographer specialising in Nuclear Medicine. She became a manager with International Medical Corporation in 1977 and joined Professor Conroy at Conroy Petroleum and Natural Resources Plc in 1980. She served as a director of that company from 1986 to 1994, when she joined Professor Conroy in the formation of Conroy Diamonds and Gold Plc. She has been managing director since 1998.

Mr. James Jones, Finance Director, has been associated with the natural resources industry for over 20 years. He is a chartered accountant by profession and a Lecturer in Accountancy at Limerick Institute of Technology. He served as finance director of Conroy Petroleum and Natural Resources Plc from its formation until 1994, when he joined with Professor Conroy to create Conroy Diamonds and Gold Plc. He has served as finance director and secretary of the Company since its inception in 1995. He is also a director of Karelian Diamond Resources plc.

Mr. Séamus FitzPatrick, Non-executive Director, has worked in both corporate finance and private equity in London and New York with Morgan Stanley, J.P. Morgan and Bankers' Trust. In 1999 he co-founded CapVest, which advises funds with in excess of £2.0 billion assets under management. He is chairman of the Mater Private Hospital and a member of the supervisory board at Drie Mollen. He is also a member of the board of Karelian Diamond Resources plc.

Mr. Louis Maguire, Non-executive Director, is an Auctioneer by profession and land valuation expert with particular expertise in the purchase of mineral rights and in land acquisition for mining. He is a founding director of the Company.

Mr. Michael Power, Non-executive Director, has over forty years experience in the mining industry in Canada and internationally. A chartered financial analyst, and a professional engineer he was formerly vice-president of Corporate Development at Hemlo Gold Mines Inc. (now Newmont Gold Corporation).

Mr. Henry Rennison, Non-executive Director, is a geologist. He worked with Burmah Oil for thirty years and later as a consultant with the international petroleum consultancy firm – DeGolyer and McNaughton. He was also a director of Conroy Petroleum and Natural Resources Plc and its subsidiaries including ARCON Mines Limited for number of years. He is a founding director of the Company.

Mr. David Wathen, Non-executive Director, has been involved in business and finance throughout his career, most recently as a stockbroker managing private client portfolios for Redmayne-Bentley Stockbrokers. He has previously served as a director of several quoted and private companies in the UK, the Republic of Ireland and the USA, including a number of natural resource companies.

Dr. Sorċa Conroy, Non-executive Director, graduated in medicine from The Royal College of Surgeons in Ireland in 1995 and held a number of clinical appointments in medicine before entering the business world. She joined the institutional sales group of stockbrokers Hoodless Brennan in 2004. She moved to Canaccord Adams in 2005 as a specialist salesperson for life sciences and biotechnology: institutional equities. While at Canaccord Adams she achieved a ranking of 4th place in the 2006 Extel Survey for Biotechnology Specialist Sales. Dr. Conroy was recruited to ING Bank in 2006 as Vice President, Biotech and Pharmaceutical Specialist Sales and whilst there was ranked 2nd in the Extel Survey for Biotechnology Specialist Sales.

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 2010 and 31 May 2009 were as follows:

	At 31 May 2010			At 31 May 2009 (or date of appointment, if later)		
	Ordinary shares of €0.03 each	Options	Warrants	Ordinary shares of €0.03 each	Options	Warrants
R.T.W.L. Conroy	40,377,639*	2,225,000	34,934,765	29,544,306*	2,225,000	34,934,765
M.T.A. Jones	880,010	1,150,000	22,507,028	880,010	1,150,000	22,507,028
J.P. Jones	475,010	825,000	13,188,420	475,010	825,000	13,188,420
H.H. Rennison	330,010	50,000	2,457,288	330,010	50,000	2,457,288
S.P. FitzPatrick	179,000	–	359,593	179,000	–	359,593
L.J. Maguire	310,010	50,000	2,457,288	310,010	50,000	2,457,288
M.E. Power	175,000	–	1,307,893	175,000	–	1,307,893
C.D. Wathen	223,500	–	507,641	87,500	–	507,641
S.C. Conroy	488,177	–	–	–	–	–

* Of the 40,377,639 (2009: 29,544,306) Ordinary Shares beneficially held by Professor Richard Conroy, 19,294,286 (2009: 19,294,286) are held by Conroy Plc, a company in which Professor Conroy has a controlling interest.

Details of warrants, all of which are exercisable currently, are as follows:

Directors	At 31 May 2010	Granted During Year	At 31 May 2009	Price €	Expiry Date
R.T.W.L. Conroy	22,814,920	–	22,814,920	0.037	15 November 2015
R.T.W.L. Conroy	12,119,845	–	12,119,845	0.0433	16 November 2017
M.T.A. Jones	13,839,858	–	13,839,858	0.037	15 November 2015
M.T.A. Jones	8,667,170	–	8,667,170	0.0433	16 November 2017
J.P. Jones	8,058,129	–	8,058,129	0.037	15 November 2015
J.P. Jones	5,130,291	–	5,130,291	0.0433	16 November 2017
H.H. Rennison	1,450,427	–	1,450,427	0.037	15 November 2015
H.H. Rennison	1,006,861	–	1,006,861	0.0433	16 November 2017
S.P. FitzPatrick	359,593	–	359,593	0.0433	16 November 2017
L.J. Maguire	1,450,427	–	1,450,427	0.037	15 November 2015
L.J. Maguire	1,006,861	–	1,006,861	0.0433	16 November 2017
M.E. Power	301,032	–	301,032	0.037	15 November 2015
M.E. Power	1,006,861	–	1,006,861	0.0433	16 November 2017
C.D. Wathen	507,641	–	507,641	0.0433	16 November 2017

Report of the Directors *continued*

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

Directors	At 31 May 2010	Granted During Year	At 31 May 2009	Price €	Expiry Date
R.T.W.L. Conroy	1,125,000	–	1,125,000	0.2539	4 December 2010
R.T.W.L. Conroy	500,000	–	500,000	0.08	14 March 2013
R.T.W.L. Conroy	600,000	–	600,000	0.10	26 November 2013
M.T.A. Jones	325,000	–	325,000	0.2539	4 December 2010
M.T.A. Jones	375,000	–	375,000	0.08	14 March 2013
M.T.A. Jones	450,000	–	450,000	0.10	26 November 2013
J.P. Jones	275,000	–	275,000	0.2539	4 December 2010
J.P. Jones	275,000	–	275,000	0.08	14 March 2013
J.P. Jones	275,000	–	275,000	0.10	26 November 2013
H.H. Rennison	50,000	–	50,000	0.2539	4 December 2010
L.J. Maguire	50,000	–	50,000	0.2539	4 December 2010

Except as disclosed above, neither the Directors nor their families had any beneficial interest in the share capital of the Company. Apart from loans from shareholders (Note 12) 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 shareholders listed below, held 3% or more of the issued ordinary share capital of the Company at 31 May 2010.

Name	Number of Ordinary Shares	%
Professor Conroy	40,377,639*	21.20
Mr. Patrick O'Sullivan	10,000,000	5.25
Mr. Bruce Rowan	10,450,000	5.49
HSBC Global Custody	9,221,281	4.84
T1ps Investment Management Ltd	7,142,857	3.75
Kenglo One Ltd	49,600,000	26.04

*Of the 40,377,639 Ordinary Shares beneficially held by Professor Conroy, 19,294,286 are held by Conroy Plc, a company in which Professor Conroy has a controlling interest.

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.

Auditor

The auditor, Deloitte & Touche, Chartered Accountants, 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 2010

Statement of Directors' Responsibilities

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies for the financial statements and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; 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 proper books of account which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and comply with Irish statute comprising the Companies Acts, 1963 to 2009. 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 are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Governance Statement

Introduction

As the Company is quoted on London's AIM market, the board bases its policies and practices in relation to corporate governance on the Combined Code on Corporate Governance, published by the UK Financial Reporting Council (the Code).

The board supports standards in corporate governance and endeavours to implement the principles of the Combined Code constructively and in a sensible and pragmatic fashion with the objective of enhancing and protecting shareholder value. This is always harder in a small Company than in the larger organisations with which the Combined Code is chiefly concerned. It is particularly problematic for a company such as this which is both small and engaged in mineral exploration and development rather than more routine trading operations.

Regular board meetings are scheduled to take place throughout the year. During the year five meetings were held. All major policies are approved by the board.

Remuneration Committee

The remuneration committee comprises Mr. Louis Maguire, Mr. Séamus FitzPatrick and Mr. David Wathen. It is responsible for making recommendations to the board on the company's executive remuneration. The committee determines any contract terms, remuneration and other benefits, including share options, for each of the executive directors. The board itself determines the remuneration of the non-executive directors.

Audit Committee

The committee's terms of reference have been approved by the board. The audit committee comprises Mr. Louis Maguire, Mr. Michael Power and Mr. Séamus FitzPatrick. The audit committee reviews the interim and annual financial statements before they are presented to the board, focusing in particular on accounting policies and areas of management judgment and estimation. The committee is responsible for monitoring the controls which are in force to ensure the information reported to the shareholders is accurate and complete. The committee considers internal control issues and contributes to the board's review of the effectiveness of the Company's internal control and risk management systems. It also considers the need for an internal audit function, which it believes is not required at present because of the company's limited operations. The members of the committee have agreed to make themselves available should any member of staff wish to make representations to them about the conduct of the affairs of the company.

The committee advises the board on the appointment of external auditors and on their remuneration and discusses the nature and scope of the audit with the external auditors. It meets formally at least once a year with the Company's external auditors. An analysis of the fees payable to the external audit firm in respect of audit services during the year is set out in Note 4 to the financial statements.

The audit committee also undertakes a formal assessment of the auditors' independence each year which includes: a review of any non-audit services provided to the Company; discussion with the auditors of all relationships with the Company and any other parties that could affect independence or the perception of independence; a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit including the regular rotation of the audit partner; and obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

Executive Committee

The Executive Committee comprises of Professor Richard Conroy, Miss Maureen Jones, Mr. James P. Jones, Mr. H.H. Rennison, Mr. Louis Maguire and Mr. Michael Power. Its purpose is to support the Chief Executive in carrying out the duties delegated to him by the board. It also ensures that regular financial reports are presented to the board, that effective internal controls are in place and functioning, and that there is an effective risk management process in operation throughout the company.

Internal Control

The board of directors is responsible for, and annually reviews, the company's systems of internal control, financial and otherwise. Such systems provide reasonable but not absolute assurance of the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The board considers it inappropriate to establish an internal audit function at present because of the company's limited operations, however this decision is reviewed annually.

There are no significant issues disclosed in the report and financial statements for the year ended 31 May 2010 and up to the date of approval of the report and financial statements that have required the board to deal with any related material internal control issues. The directors confirm that the board has reviewed the effectiveness of the system of internal control as operated during the year.

Risks and Uncertainties

In reviewing the risks facing the company, the board considers it is reasonably close to the company's operations and aware of its activities to be able to adequately monitor risk without the establishment of any formal process. The company may become subject to risks against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. The board believes the significant risks facing the company are adequately disclosed in these financial statements and that there are no other risks of comparable magnitude which need to be disclosed.

Communication with Shareholders

Extensive information about the company and its activities is given in the annual report and financial statements. Further information is available on the company's website, conroydiamondsandgold.com, which is promptly updated whenever announcements or press releases are made.

The company encourages communication with private shareholders throughout the year and welcomes their participation at general meetings. All Board members attend the Annual General Meeting and are available to answer questions. Separate resolutions are proposed on substantially different issues and the agenda of business to be conducted at the Annual General Meeting includes a resolution to receive and consider the Annual Report and financial statements. The chairman of the Board's committees will also be available at the Annual General Meeting. The Board regards the Annual General Meeting as a particularly important opportunity for shareholders, directors and management to meet and exchange views.

Independent Auditor's Report

To the Members of Conroy Diamonds and Gold Plc

We have audited the financial statements of Conroy Diamonds and Gold Plc for the year ended 31 May 2010 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 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 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.

Respective Responsibilities of Directors and Auditors

The Directors are responsible, as set out in the Statement of Directors' Responsibilities for, preparing the Annual Report including the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our responsibility, as independent auditor, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009. 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 Report of the Directors is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purpose of our audit and whether the company's balance sheet and its income statement are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement, the Report of the Directors and the Corporate Governance Statement. Our responsibilities do not extend to other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs as adopted by the European Union of the state of the affairs of the company as at 31 May 2010 and of the loss for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

Emphasis of Matter – Realisation of Intangible Assets

Without qualifying our opinion, we draw your attention to the disclosures made in Notes 2 and 7 concerning the realisation of exploration and evaluation assets included as intangible assets in the balance sheet. The realisation of these assets is dependent on the successful further development and ultimate production of the mineral reserves and the continued availability of adequate finance. The financial statements do not include any adjustments in relation to these uncertainties and the ultimate outcome cannot at present be determined.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the company. The company's balance sheet and income statement are in agreement with the books of account.

In our opinion the information given in the Report of the Directors is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 May 2010 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.

Deloitte & Touche

Chartered Accountants
and Registered Auditors

Limerick

11 November 2010

Balance Sheet

As at 31 May 2010

	Note	2010 €	2009 €
ASSETS			
Non-current Assets			
Intangible assets	7	**9,802,468**	8,736,915
Investment in subsidiary	8	**2**	2
Property, plant and equipment	9	**14,424**	24,791
		9,816,894	8,761,708
Current Assets			
Trade and other receivables	10	**56,381**	24,982
Cash and cash equivalents		**1,648,160**	61,744
		1,704,541	86,726
Total Assets		**11,521,435**	8,848,434
EQUITY AND LIABILITIES			
Capital and Reserves			
Called up share capital	13	**5,713,935**	3,170,649
Share premium	13	**6,273,383**	5,491,037
Capital conversion reserve fund	13	**30,617**	30,617
Share based payments reserve		**582,656**	433,630
Retained losses		**(3,256,475)**	(2,966,030)
Total Equity		**9,344,116**	6,159,903
Non-current Liabilities			
Financial liabilities	12	**1,284,576**	1,928,473
Total non-current liabilities		**1,284,576**	1,928,473
Current Liabilities			
Trade and other payables	11	**892,743**	760,058
Total Current Liabilities		**892,743**	760,058
Total Liabilities		**2,177,319**	2,688,531
Total Equity and Liabilities		**11,521,435**	8,848,434

The annexed notes form an integral part of these financial statements.

Approved by the Directors on 11 November 2010.

R.T.W.L. Conroy
Director

J.P. Jones
Director

Income Statement

For the year ended 31 May 2010

	Note	2010 €	2009 €
Operating Expenses	3	**(290,522)**	(298,155)
Other Income		**77**	36
Loss Before Tax	4	**(290,445)**	(298,119)
Taxation	5	**–**	–
Loss Retained for the Year		**(290,445)**	(298,119)
Loss per ordinary share – basic and diluted	6	**(€0.0021)**	(€0.0025)

The annexed notes form an integral part of these financial statements.

R.T.W.L. Conroy
Director

J.P. Jones
Director

Approved by the Directors on 11 November 2010.

Statement of Changes in Equity

For the Year Ended 31 May 2010

	Share capital €	Share Premium €	Capital Conversion reserve fund €	Share-based Payment Reserve €	Retained Earnings (Deficit) €	Total Equity €
At 1 June 2008	3,170,649	5,491,037	30,617	284,604	(2,667,911)	6,308,996
Share-based payments	–	–	–	149,026	–	149,026
Loss for the year	–	–	–	–	(298,119)	(298,119)
At 31 May 2009	**3,170,649**	**5,491,037**	**30,617**	**433,630**	**(2,966,030)**	**6,159,903**
At 1 June 2009	3,170,649	5,491,037	30,617	433,630	(2,966,030)	6,159,903
Share issue	2,543,286	–	–	–	–	2,543,286
Share premium	–	782,346	–	–	–	782,346
Share-based payments	–	–	–	149,026	–	149,026
Loss for the year	–	–	–	–	(290,445)	(290,445)
At 31 May 2010	**5,713,935**	**6,273,383**	**30,617**	**582,656**	**(3,256,475)**	**9,344,116**

The annexed notes form an integral part of these financial statements.

Share Capital

The share capital comprises of share capital issued for cash and non-cash consideration.

Share Premium

The share premium reserve comprises of the excess consideration received in respect of share capital over the nominal value of share issued.

Capital Conversion Reserve Fund

The ordinary shares of the company were renominalised from €0.03174435 each to €0.03 each in 2001 and the amount by which the issued share capital of the company was reduced was transferred to capital conversion reserve fund.

Share Based Payment Reserve

The share based payment reserve represents the amount expensed to the income statement and the amount capitalised as part of intangible assets of share-based payments granted which are not yet exercised and issued as shares.

Cash Flow Statement

For the Year Ended 31 May 2010

	Notes	2010 €	2009 €
Cash flows from operating activities			
Cash (used in)/generated by operations	14	**(150,092)**	155,856
Tax paid		**–**	–
Net cash (used in)/generated by operating activities		**(150,092)**	155,856
Cash flows from investing activities			
Investment in exploration and evaluation		**(945,021)**	(786,164)
Payments to acquire property, plant and equipment		**(206)**	(5,409)
Net cash used in investing activities		**(945,227)**	(791,573)
Cash flows from financing activities			
Issue of share capital		**3,000,632**	–
Advances of shareholder loan		**190,000**	785,000
Repayment of shareholder loan		**(508,897)**	(196,971)
Net cash generated from financing activities		**2,681,735**	588,029
Increase/(decrease) in cash and cash equivalents		**1,586,416**	(47,688)
Cash and cash equivalents at beginning of year		**61,744**	109,432
Cash and cash equivalents at end of year		**1,648,160**	61,744

The annexed notes form an integral part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 May 2010

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and have also been prepared in accordance with IFRSs adopted by the European Union.

The financial statements have also been prepared in accordance with the Companies Acts, 1963 to 2009. The financial statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Adoption of New and Revised Standards

The following standards and interpretations are effective for the current period. These are:

IAS 1	(Amendment) Presentation of financial statements
IAS 23	Borrowing costs
IAS 32 & IAS 1	(Amendment) Puttable financial instruments and obligations arising on liquidation
IAS 39 & IFRS 7	(Amendment) Reclassification of financial assets
IFRS 1 & IAS 27	(Amendment) Cost of an investment in a subsidiary, jointly controlled entity or associate
IFRS 2	(Amendment) Vesting conditions and cancellation
IFRS 8	Operating segments
IFRS 7	(Amendment) Improving disclosures about financial instruments
IFRIC 9 & IAS 39	Embedded Derivatives
IFRIC 13	Customer loyalty programmes
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of a net Investment in a foreign operation

Standards and Interpretations in Issue Not Yet Adopted

At the date of authorisation of these financial statements, other than the standards and interpretations adopted by the company in advance of their effective dates, the following Standards and Interpretations were in issue but not yet adopted:

IAS 24	Related party disclosures (effective for accounting periods beginning on or after 1 January 2011)
IAS 27	(Amendment) Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after 1 July 2009)
IAS 32	(Amendment) Classification of rights issues (effective for accounting periods beginning on or after 1 February 2010)
IAS 39	(Amendment) Eligible hedged items (effective for accounting periods beginning on or after 1 July 2009)
IFRS 1	(Amendment) First time adoption of Financial Reporting Standards (effective for accounting periods beginning on or after 1 July 2009)
	Amendments to IFRS1 Additional Exemptions for First-Time Adopters (effective for accounting periods beginning on or after 1 January 2010)
IRFS 1	(Amendment) Limited exemption from comparative IFRS 7 disclosures for first time adopters (effective for accounting periods beginning on or after 1 July 2010)

IFRS 2	Amendments to IFRS2 Group Cash-settled Share-based payment Transactions (effective for accounting periods beginning on or after 1 January 2010)
IFRS 3	Business Combinations (effective for accounting periods beginning on or after 1 July 2009)
IFRSs 2009	(Improvements) (effective for accounting periods beginning on or after 1 July 2009)
IFRSs 2010	(Improvements) (effective for accounting periods beginning on or after 1 January 2011)
IFRIC 14	(Amendment) Prepayments of a minimum funding requirement (effective for accounting periods beginning on or after 1 January 2011)
IFRIC 17	Distribution of Non-Cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009)
IFRIC 18	Transfers of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009)
IFRIC 19	(Amendment) Extinguishing financial liabilities with equity instruments (effective for accounting periods ending on or after 1 July 2010).

The directors have completed an initial assessment of the impact in relation to the adoption of these Standards and Interpretations for future periods of the Company. In the opinion of the Directors, the standards and interpretations will have no material impact on the financial statements of the Company in the period of initial application.

A. Intangible Assets

The Company accounts for mineral expenditure in accordance with International Financial Reporting Standard 6 – Exploration For and Evaluation of Mineral Resources.

(i) Capitalisation

Certain costs (other than payments to acquire the legal rights to explore) incurred prior to acquiring the rights to explore are charged directly to the income statement. Exploration, appraisal and development expenditure incurred on exploring, and testing exploration prospects are accumulated and capitalised as intangible exploration and evaluation (E&E) assets. Capitalised costs include geological and geophysical costs, and other direct costs of exploration (drilling, trenching, sampling and technical feasibility and commercial viability activities). In addition, capitalised costs includes an allocation from operating expenses, including share based payments, all such costs are directly related to exploration and evaluation activities.

E&E costs are not amortised prior to the conclusion of appraisal activities. At completion of appraisal activities if technical feasibility is demonstrated and commercial reserves are discovered, then the carrying amount of the relevant E&E asset will be reclassified as a development and production asset, once the carrying value of the asset has been assessed for impairment.

If following completion of appraisal activities in an area, it is not possible to determine technical feasibility and commercial viability, or if the right to explore expires, then the costs of such unsuccessful exploration and evaluation is written off to the income statement in the period in which the event occurred.

(ii) Impairment

If facts and circumstances indicate that the carrying value of an E&E asset may exceed its recoverable amount, an impairment review is performed. The following are indicators of impairment.

- The right to explore in an area has expired, or will expire in the near future, without renewal.
- No further exploration or evaluation is planned or budgeted for.
- A decision has been made to discontinue exploration and evaluation in an area, because of the absence of commercial reserves.
- Sufficient data exists to indicate that the carrying amount will not be fully recovered from future development and production.

Notes to the Financial Statements *continued*

1. ACCOUNTING POLICIES *continued*

For E&E assets, where the above indicators exist, an impairment test is carried out. The E&E assets are categorised into Cash Generating Units ("CGU"). The carrying value of the CGU is compared to its recoverable amount and the resulting impairment loss is written off to the income statement. The recoverable amount of the CGU is assessed as the higher of its fair value, less costs to sell, and its value in use.

B. Issue Expenses

Issue expenses arising on the issue of equity securities are accounted for as a deduction from equity, against the share premium account, net of any related income tax benefit.

C. Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. 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
Plant and office equipment	10 years

D. Taxation

The tax expense represents the sum of the current and deferred tax charge.

The tax currently payable is based on taxable profits for the year. Taxable profit differs from net profit or loss as reported in the income statement because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit and is accounted for using the balance sheet liabilities 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.

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 taken directly to equity.

E. Share Based Payments

The Company has applied the requirements of IFRS 2 "Share-Based Payments". In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 June 2006.

For equity-settled share based payment transactions (i.e. the granting of share options and share warrants), the Company measures the services and the corresponding increase in equity at fair value at the measurement date (which is the grant date) using a recognised valuation methodology for the pricing of financial instruments (Binomial Lattice Model). Given that the share options, and warrants granted do not vest until the completion of a specified period of service the fair value is determined on the basis that the services to be rendered by employees as consideration for the granting of share options and warrants will be received over the vesting period, which is assessed at the grant date.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the company's estimate of equity instruments that will eventually vest. The amount expensed to the income statement excludes the amount capitalised as part of intangible assets.

1. ACCOUNTING POLICIES *continued*

F. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

G. Trade and other receivables and payables

Trade and other receivables and payables are measured at initial recognition at fair value, and subsequently measured at amortised cost.

H. Cash and cash equivalents

Cash and cash equivalents consist of cash at bank held by the company and short term bank deposits with a maturity of three months or less. Cash and cash equivalents are held for the purpose of meeting short term cash commitments.

I. Pension costs

The company provides for certain employees through defined contribution pension schemes. The amounts charged to the income statement and balance sheet is the contribution payable in that year. Any difference between amounts charged and contributions paid to the pension scheme is included in receivables or payables in the balance sheet.

J. Foreign currencies

Transactions denominated in foreign currencies relating to revenues, costs and non-monetary assets are translated into Euro at the rates of exchange ruling on the dates on which the transactions occurred.

Monetary assets and liabilities denominated in foreign currencies are translated into Euro at the rate of exchange ruling at the balance sheet date. The resulting profits or losses are dealt with in the profit and loss account.

K. Shareholder's Loan

Shareholder's loans are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount of initial recognition.

L. Critical accounting judgments and key sources of estimation uncertainty

Critical judgments in applying the Company's accounting policies

In the process of applying the Company's accounting policies above, management has identified the judgmental areas that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below):

Exploration and evaluation

The assessment of whether general administration costs and salary costs are capitalised or expensed involves judgment. Management consider the nature of each cost incurred and whether it is deemed appropriate to capitalise it within intangible assets. In addition there is uncertainty as to whether the exploration activity will yield any economical viable discovery.

Notes to the Financial Statements *continued*

1. ACCOUNTING POLICIES *continued*

Impairment of intangible assets

If an indicator of impairment exists (as outlined in the Intangible Assets accounting policy), the exploration and evaluation assets need to be allocated into Cash Generating Units. The determination of what constitutes a cash generating unit requires judgment. Once this is decided, the carrying value of each cash generating unit is compared to its recoverable amount. The recoverable amount of the CGU is assessed as the higher of its fair value less costs to sell and its value in use. The determination of value in use requires the following judgments:

- Estimation of future cash flows expected to be derived from the asset.
- Expectation about possible variations in the amount or timing of the future cash flows.
- The determination of an appropriate discount rate.

Going concern

The preparation of financial statements requires an assessment on the validity of the going concern assumption. The validity of the going concern assumption is dependent on finance being available for the continuing working capital requirements of the company and finance for the development of the company's projects becoming available. Based on the financial support received to date from the shareholders, and their financial commitment to continue to support the company for a period of at least twelve months from the date of approval of these financial statements, the directors believe that the going concern basis is appropriate for these financial statements. Should the going concern basis not be appropriate, adjustments would have to be made to reduce the value of the company's assets, in particular the intangible assets, to their realisable values.

Key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used by the Company is the Binomial Lattice Model.

2. GOING CONCERN

Mineral exploration and evaluation costs capitalised as intangible assets amounted to €9,802,468 (Note 7) at the balance sheet date.

The directors recognise that the future realisation of intangible assets is dependent on the successful further development and ultimate production of the mineral reserves and the availability, in the future, of sufficient finance to bring the reserves to economic maturity and profitability.

The directors have reviewed the projected cash flows for the company and on the basis of the cash balances on hand, the additional capital of €3,325,632 subscribed during the year, together with the very encouraging results obtained from the exploration programme, they consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments to the carrying amount, or classification of assets and liabilities, if the company was unable to continue as a going concern in the future.

3. OPERATING EXPENSES

	2010 €	2009 €
Operating expenses	**905,120**	832,906
Transfer to intangible assets (Note 7)	**(614,598)**	(534,751)
	290,522	298,155

Operating expenses is analysed as follows:	2010 €	2009 €
Wages and salaries	**340,096**	379,183
Share based payments	**149,026**	149,026
Depreciation	**10,573**	10,552
Loan interest	**135,544**	131,852
Auditor's remuneration	**12,500**	12,500
Other operating expenses	**257,381**	149,793
	905,120	832,906

Of the above costs a total of €614,598 (2009: €534,751) is allocated to intangible assets based on a review of the nature and quantum of the underlying cost.

Wages and salaries cost as disclosed above is analysed as follows:

	2010 €	2009 €
Wages and salaries	**299,666**	321,617
Social welfare costs	**2,743**	19,147
Pension costs	**37,687**	38,419
	340,096	379,183

The company had nine employees during the year (2009: nine).

Notes to the Financial Statements *continued*

3. OPERATING EXPENSES *continued*

An analysis of remuneration for each director of the company in the current financial year (prior to amounts capitalised as part of intangible assets) is as follows:

	Emoluments & Compensation €	Directors Fees €	Share Options €	Pension Contributions €
Prof. R.T.W.L. Conroy	102,421	22,220	63,594	–
M.T.A. Jones	71,117	9,523	41,893	24,187
J.P. Jones	37,153	9,523	24,919	13,500
H.H. Rennison	–	9,523	4,079	–
S.P. Fitzpatrick	–	9,523	661	–
L.J. Maguire	–	9,523	4,079	–
M.E. Power	–	9,523	2,313	–
C.D. Wathen	–	9,523	933	–
Dr. S.C. Conroy	–	1,111	–	–

The total share based payment charge of €149,026 (2009: €149,026) is accounted for as shown below:

	2010	2009
	€	€
Share based payment charge expensed to income statement	**28,494**	28,494
Share based payment charge transferred to intangible assets	**120,532**	120,532
	149,026	149,026

In the opinion of the directors, eighty per cent of the share based payment charge is directly related to exploration and evaluation activities, and has been capitalised within intangible assets.

4. LOSS BEFORE TAX

The loss before tax is arrived at after charging the following items, which are stated at amounts prior to the transfer to intangible assets:

	2010 €	2009 €
Directors' remuneration		
– Fees for services as directors	**89,992**	88,882
– Remuneration for other services	**210,691**	174,750
– Share based payments	**149,026**	149,026
Depreciation	**10,573**	10,552
Auditor's remuneration – audit services	**12,500**	12,500

5. TAXATION

(a) Analysis of the tax charge for the year

	2010 €	2009 €
Irish corporation tax	**–**	–
Based on adjusted loss for the year	**–**	–
Total current tax	**–**	–

No taxation charge arises in the financial year due to a loss being incurred in the current year.

(b) Factors affecting the tax charge for the year:

The tax due for the year is different to the standard rate of Irish corporation tax. This is due to the following:

	2010 €	2009 €
Loss on ordinary activities before tax	**(290,445)**	(298,119)
Loss on ordinary activities multiplied by the standard rate of Irish corporation tax of 12.5% (2009: 12.5%)	**(36,306)**	(37,265)
Effects of:		
Losses carried forward for future utilisation	**36,306**	37,265
Tax charge for the year	**–**	–

No deferred tax asset has been recognised on accumulated tax losses as it cannot be considered probable that future taxable profit will be available against which the deferred tax asset can be utilised. The amount not recognised amounts to €2,354,708 (2009: €2,318,402).

6. LOSS PER ORDINARY SHARE – BASIC AND DILUTED

The calculation of the loss per ordinary share of €0.0021 (2009: €0.0025) is based on the loss for the financial year of €290,445 (2009: €298,119) and the weighted average number of ordinary shares in issue during the year of 136,981,154 (2009: 105,688,297). In August 2009, 10,833,333 ordinary shares were issued in return for capitalisation of shareholder's loans amounting to €325,000. The loss per share was adjusted retrospectively for this. The revised loss per share in 2009 was €0.0025.

The effect of share options and warrants is anti-dilutive.

Notes to the Financial Statements *continued*

7. INTANGIBLE ASSETS

Exploration and Evaluation	2010 €	2009 €
Cost		
At 1 June	**8,736,915**	7,830,219
Expenditure during the year		
– licence and appraisal costs	**450,955**	371,945
– other operating expenses (Note 3)	**494,066**	414,219
– equity settled share based payments (Note 3)	**120,532**	120,532
At 31 May	**9,802,468**	8,736,915

Exploration and evaluation assets relate to expenditure incurred in the development of mineral exploration opportunities.

The directors are aware that by its nature there is an inherent uncertainty in exploration and evaluation, and, consequently, in relation to the carrying value of capitalised exploration and evaluation assets.

The realisation of these intangible assets is dependent on the successful discovery and development of economic reserves.

The Directors have considered the proposed work programmes for these mineral reserves. They are satisfied that there are no indications of impairment, but none the less recognise that future realisation of the intangible assets is dependent on further successful exploration and appraisal activities and the subsequent economic production of the mineral reserves.

Mineral interests are categorised as follows:

Ireland	2010 €	2009 €
Cost		
At 1 June	**7,473,451**	6,683,224
Expenditure during the year		
– licence and appraisal costs	**399,522**	335,689
– other operating expenses	**471,024**	352,086
– equity settled share based payments	**102,452**	102,452
At 31 May	**8,446,449**	7,473,451

Finland	2010 €	2009 €
Cost		
At 1 June	**1,263,464**	1,146,995
Expenditure during the year		
– licence and appraisal costs	**51,433**	36,256
– other operating expenses	**23,042**	62,133
– equity settled share based payments	**18,080**	18,080
At 31 May	**1,356,019**	1,263,464

8. INVESTMENT IN SUBSIDIARY

	% Owned	Country of incorporation	2010 €	2009 €
Shares in subsidiary company (Unlisted shares) at cost:				
Trans-International Mineral Exploration Limited	100%	Ireland	**2**	2

The registered office of the above non trading subsidiary is 10 Upper Pembroke Street, Dublin 2.

The above subsidiary has not been consolidated on the basis that it is not trading, and the assets of the entity are €2.

9. PROPERTY, PLANT AND EQUIPMENT

	Vehicles €	Plant & Office Equipment €	Total €
Cost			
At 1 June 2009	12,804	105,519	118,323
Additions	–	206	206
At 31 May 2010	**12,804**	**105,725**	**118,529**
Accumulated Depreciation			
At 1 June 2009	12,804	80,728	93,532
Charge for the year	–	10,573	10,573
At 31 May 2010	**12,804**	**91,301**	**104,105**
Carrying amount at 31 May 2010	**–**	**14,424**	**14,424**

	Motor Vehicles €	Plant & Office Equipment €	Total €
Cost			
At 1 June 2008	12,804	100,110	112,914
Additions	–	5,409	5,409
At 31 May 2009	**12,804**	**105,519**	**118,323**
Accumulated Depreciation			
At 1 June 2008	12,804	70,176	82,980
Charge for the year	–	10,552	10,552
At 31 May 2009	**12,804**	**80,728**	**93,532**
Net Book Amount at 31 May 2009	**–**	**24,791**	**24,791**

Notes to the Financial Statements *continued*

10. TRADE AND OTHER RECEIVABLES

	2010 €	2009 €
VAT receivable	**25,928**	802
Other debtors	**30,453**	24,180
	56,381	24,982

11. TRADE AND OTHER PAYABLES

	2010 €	2009 €
Accrued directors' remuneration		
– fees and other emoluments	**359,447**	369,945
– pension contributions	**37,687**	38,419
Other accruals	**495,609**	351,694
	892,743	760,058

It is the company's normal practice to agree terms of transactions, including payment terms, with suppliers and provided suppliers perform in accordance with the agreed terms, it is the company's policy that payment is made according to the agreed terms. The company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The carrying value of the trade and other payables approximates to their fair value.

12. FINANCIAL LIABILITIES

	2010 €	2009 €
Shareholder loans		
Opening balance	**1,928,473**	1,340,444
Funds advanced	**190,000**	785,000
Amount capitalised	**(325,000)**	–
Loan amount repaid	**(508,897)**	(196,971)
	1,284,576	1,928,473

The immediate funding requirements of the company have been partly financed by advances from Prof. R.T.W.L. Conroy (Executive Chairman and a major shareholder).

None of the above unsecured loans are repayable on demand.

Interest at a rate of 8.25% per annum is accrued on all amounts advanced. The accrued interest for the year ended 31 May 2010 is €348,900 (2009: €213,356). Of this, an amount of €110,506 is capitalised as part of intangible assets in the current year. The accrued interest is included within other accruals in Note 11 above.

13. CALLED UP SHARE CAPITAL AND PREMIUM

	2010 €	2009 €
Authorised:		
750,000,000 ordinary shares of €0.03 each	22,500,000	22,500,000

Issued and Fully Paid:

	Number	Share capital €	Capital conversion reserve fund €	Share premium €
Start of year	105,688,297	3,170,649	30,617	5,491,037
Share issues (a)	84,776,190	2,543,286	–	814,518
Issue expenses	–	–	–	(32,172)
End of Year	190,464,487	5,713,935	30,617	6,273,383

(a) On 25 August 2009, 8,800,000 ordinary shares of €0.03 each were issued at par and a further 400,000 shares of €0.03 each were issued at 3.75p sterling (€0.04293) in lieu of issue expenses of £15,000 (€17,172). In September 2009, 20,833,333 shares were issued at par. Of these, 10,833,333 were issued to Prof. R.T.W.L. Conroy in return for capitalisation of shareholder's loans amounting to €325,000. On 18 November 2009, 7,142,857 shares were issued at 3.5p sterling realising €0.03935 per share resulting in a premium of €0.00935 per share. On 21 April 2010, 47,600,000 shares were issued at 4p sterling realising €0.0456 per share resulting in a premium of €0.0156 per share.

(b) At 31 May 2010 and 31 May 2009 warrants over 49,064,188 shares exercisable at €0.037 per share at any time up to 15 November 2015 were outstanding.

(c) At 31 May 2010 and 31 May 2009, options had been issued over 7,195,000 shares. These options are exercisable at prices ranging from €0.048 to €0.2539 and expire between 4 December 2010 and 14 January 2018.

(d) At 31 May 2010 and 31 May 2009 warrants over 29,805,123 shares exercisable at €0.0433 per share at any time up to 16 November 2017 were outstanding.

(e) The share price at 31 May 2010 was 5.25p sterling. During the year the price ranged from 2.3p to 6.5p sterling.

14. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of Operating Loss to Net Cash (used in)/generated by Operations:

	2010 €	2009 €
Operating loss	**(290,445)**	(298,119)
Depreciation	**10,573**	10,552
Expense recognised in income statement in respect of equity settled share based payments	**28,494**	28,494
Decrease in creditors	**132,685**	403,682
(Increase)/decrease in debtors	**(31,399)**	11,247
Cash (used in)/generated by operations	**(150,092)**	155,856

Notes to the Financial Statements *continued*

15. COMMITMENTS AND CONTINGENCIES

Obligations under Mineral Interests

The Company has received prospecting licences under the Republic of Ireland Mineral Development Acts 1940 to 1995 for areas in Monaghan and Cavan. It has also received licences in Northern Ireland for areas in Armagh and Down in accordance with the Mineral Development Act (Northern Ireland) 1969.

The Company has certain obligations in respect of these licences at year end which comprise total expenditure commitments as follows:

	2010 €	2009 €
Commitments for expenditure:		
– due within one year	**150,000**	150,000
– due between two and five years	**500,000**	500,000
	650,000	650,000

16. RELATED PARTY TRANSACTIONS

a) Details as to shareholder loans and share capital transactions with Prof. R.T.W.L. Conroy are outlined in Notes 12 and 13 to the financial statements.

b) The Company shares accommodation with Conroy Plc and Karelian Diamond Resources plc. For the year ended 31 May 2010, Conroy Diamonds and Gold Plc paid costs totalling €99,997 (2009: €61,185) on behalf of Karelian Diamond Resources plc. These costs were funded by advances in shareholder's loans.

These costs are analysed as follows:

	2010 €	2009 €
Wages and salaries	**21,348**	13,249
Rent and rates	**9,150**	22,856
Travel and subsistence	**8,089**	6,829
Legal and professional	**32,333**	10,000
Other operating expenses	**29,077**	8,251
	99,997	61,185

For the year ended 31 May 2010, Conroy Diamonds and Gold Plc paid costs totalling €5,000 (2009: €5,000) on behalf of Conroy Plc. These costs were funded by advances in shareholder's loans.

These costs are analysed as follows:

	2010 €	2009 €
Legal and professional	**5,000**	5,000
	5,000	5,000

At 31 May 2010, there were no amounts outstanding between the related parties (2009: Nil).

17. SHARE BASED PAYMENTS

The company operates a share option scheme for employees who devote a substantial amount of their time to the business of the company.

Options granted generally have a vesting period of ten years. Details of the share options outstanding during the year are as follows:

	2010		2009	
	No. of Share Options	Weighted Average Exercise Price €	No. of Share Options	Weighted Average Exercise Price €
At 1 June	**7,195,000**	**0.1254**	7,195,000	0.1254
Granted during year	**–**	**–**	–	–
Exercised during year	**–**	**–**	–	–
Lapsed during year	**–**	**–**	–	–
At 31 May	**7,195,000**	**0.1254**	7,195,000	0.1254

Warrants granted generally have a vesting period of ten years. Details of the warrants outstanding during the year are as follows:

	2010		2009	
	No. of Share Warrants	Weighted Average Exercise Price €	No. of Share Warrants	Weighted Average Exercise Price €
At 1 June	**78,869,311**	**0.0394**	78,869,311	0.0394
Granted during year	**–**	**–**	–	–
Exercised during year	**–**	**–**	–	–
Lapsed during year	**–**	**–**	–	–
At 31 May	**78,869,311**	**0.0394**	78,869,311	0.0394

The company estimated the fair value of employee stock options and warrants awards using the Binomial Lattice Model. The determination of the fair value of share based payment awards on the date of grant using the Binomial Lattice Model is affected by Conroy Diamonds and Gold Plc stock price as well as assumptions regarding a number of subjective variables. These variables include the expected term of the awards, the expected stock price volatility over the term of the awards, the risk free interest rate associated with the expected term of the awards and the expected dividends.

Notes to the Financial Statements *continued*

17. SHARE BASED PAYMENTS *continued*

The company's Binomial Lattice model included the following weighted average assumptions for the company's employee stock option and warrants.

	2010 Stock Options	**2010 Stock Warrants**	**2009 Stock Options**	**2009 Stock Warrants**
Dividend yield	**0%**	**0%**	0%	0%
Expected volatility	**90%**	**90%**	90%	90%
Risk free interest rate	**4.0%**	**3.2%**	4.0%	3.2%
Expected life (in years)	**10**	**10**	10	10

This calculation results in a share based payments reserve movement of €149,026 (2009: €149,026).

18. CONTROLLING PARTY

The control of Conroy Diamonds and Gold Plc is held by the following shareholders:

Name	**Number of ordinary shares**	**%**
Professor Conroy	40,377,639*	21.20
Mr. Patrick O'Sullivan	10,000,000	5.25
Mr. Bruce Rowan	10,450,000	5.49
HSBC Global Custody	9,221,281	4.84
T1ps Investment Management Limited	7,142,857	3.75
Kenglo One Limited	49,600,000	26.04

* Of the 40,377,639 ordinary shares held by Professor Conroy, 19,294,286 are held by Conroy Plc, a company in which Professor Conroy has a controlling interest.

19. POST BALANCE SHEET EVENTS

In July 2010, Golder Associates was appointed as environmental consultants for the scoping studies on the Clontibret gold project, in Ireland.

In October 2010, 25,833,333 ordinary shares of €0.03 were issued at a price of £0.06 per share, raising additional capital of £1,550,000. In addition, a subscription for 4,166,667 ordinary shares of €0.03 was subscribed for at a price of £0.06 per share, raising additional share capital of £250,000.

Also in October 2010, 10,000,000 ordinary shares were issued at a premium of £0.06 per share in return for capitalisation of shareholder's loans amounting to £600,000.

20. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the board on 11 November 2010.