CONROY

GOLD AND NATURAL RESOURCES PLC

Annual Report and Financial Statements 2011

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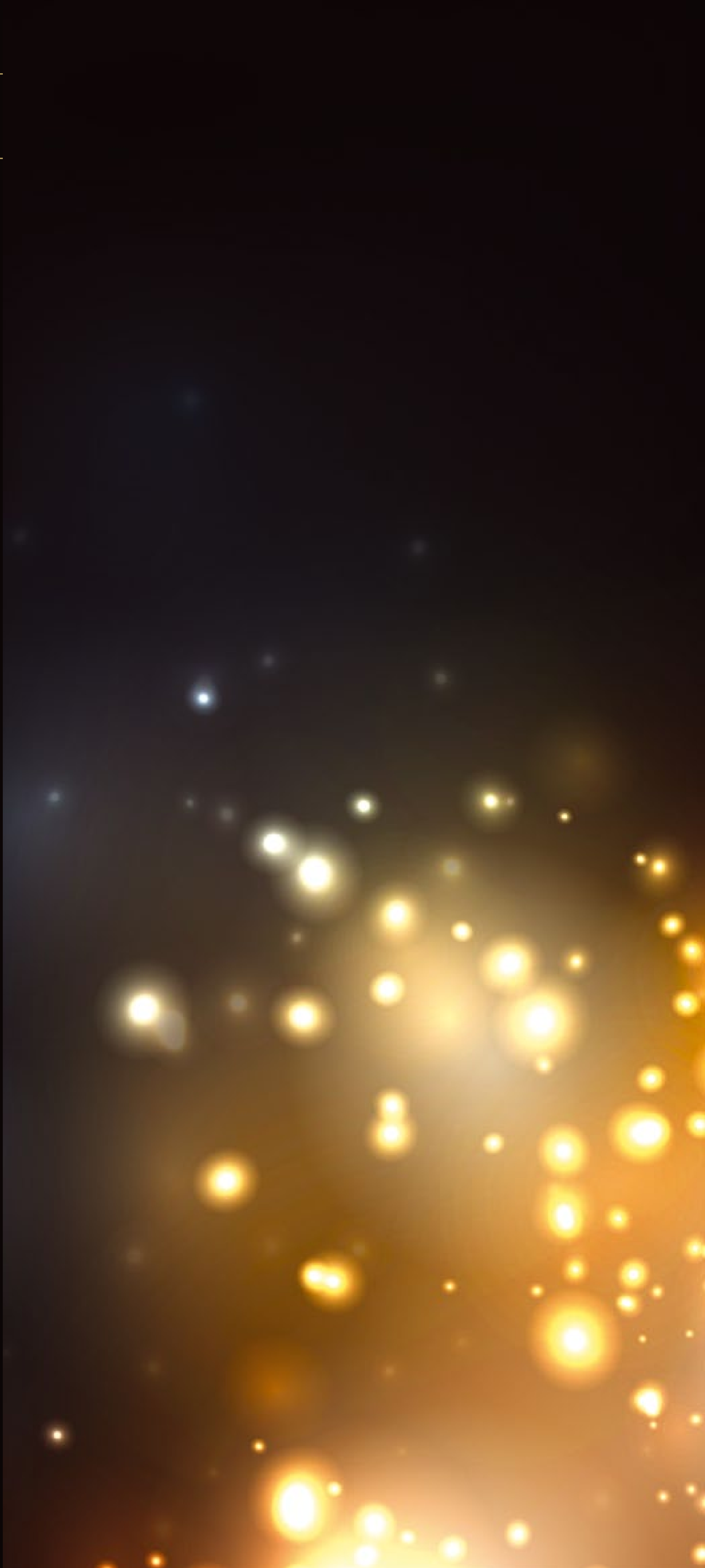

Chairman's Statement

Professor Richard Conroy
Chairman

I have pleasure in presenting your Company's Annual Report and Financial Statements for the 12 months ended 31 May 2011. The year has been one of substantial progress for your Company as it moves from being solely focussed on exploration to being also involved in development and making initial preparations relating to production.

A sound basis for this has been provided by the positive results on both financial and technical grounds from the independent Scoping Study completed by Tetra Tech Wardrop Engineering Inc. ("Wardrop") on your Company's Clontibret gold prospect in Co. Monaghan where we plan to develop a conventional open pit gold mine.

Clontibret Gold Project

The positive outcome of the scoping studies indicates that the Clontibret gold project is viable and forms the foundation for the next stage of the project in the knowledge that the ore system remains open and that further expansion of the resource is likely.

The Joint Ore Reserves Committee ("JORC") Standard Scoping Study by Wardrop was focussed on the Tullybuck-Lisglassan area which comprises approximately 20 per cent of your Company's Clontibret gold target.

Wardrop recommended that following on the positive outcome of the scoping study, infill and step-out drilling along strike together with metallurgical studies be carried out.

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

An ongoing definitive infill drilling programme commenced in the spring. This programme is designed to further define gold zones within the proposed mine area, potentially increasing the resource and also to provide geotechnical information for mine design purposes together with the ore material required for metallurgical test work. Positive results to date from the infill drilling include increased widths of mineralisation (up to 19.35 metres) and high grade intersections (including 2 metres of 11.24 g/t Au).

During the year, preliminary environmental studies were completed by environmental consultants Golder Associates. Detailed environmental monitoring and site assessments have been initiated, ecological studies are underway, surface water monitoring locations established and a weather station installed.

Pre and final feasibility studies will follow leading in turn to the submission of planning and mining applications as a prerequisite to mine development.

Clay Lake Gold Target

Positive drilling results were received from the step out drilling programme in the Clay Lake gold target in Co. Armagh, 4.5 miles (7 km) to the northeast of Clontibret.

The Clay Lake target covers an area of approximately 141 hectares and has returned the highest gold-in-soil values recorded by your Company on its Irish exploration licences. The step out drilling programme builds on previous positive gold results which demonstrated the presence of a broad zone of gold mineralisation.

The target is named after the Clay Lake nugget containing 28 g of gold which was found in a stream bed in the 1980s.

Gold Trend

Both Clontibret and Clay Lake are located along the 50 km (30 mile) gold trend outlined on your Company's licences which stretch from Co. Armagh in Northern Ireland across counties Monaghan and Cavan in the Republic of Ireland in a geological structure called the Longford-Down Massif.

The gold area is adjacent to a historic lead-mining district and your Company, during the course of its exploration, has also discovered a very large (100km2) zinc-in-soil anomaly, suggesting a zonation in mineralisation in the area and further expanding the metallurgical potential of the area.

Total Gold Potential

In-house studies by your Company, though conceptual in nature, suggest that the total gold potential of the Company's exploration licences in the Longford-Down Massif could now lie in the 15 million – 20 million ounce range. This projection is based on (i) the 1 million ounce JORC-compliant resource outlined in only 20 per cent of the Clontibret project, (ii) the potential of the remaining 80 per cent of that target, (iii) the discovery at Clay Lake and (iv) other large gold-in-soil anomalies that have been outlined elsewhere on its licences. Whilst there has been insufficient exploration to date to define such a mineral resource, and there is no certainty that further exploration will result in a resource of this magnitude being realised, your Directors believe that the potential of the area is clear and the possibilities exciting.

Chairman's Statement *continued*

Gold in Ireland

As we move towards development a brief note on gold in Ireland is appropriate. Gold has been known to exist in Ireland for over 2,000 years as demonstrated by the magnificent gold ornaments in the National Museum in Dublin. However, apart from a small gold rush in County Wicklow in the 19th century, Ireland, though well known as an international base-metals province, has not previously been regarded as a gold province. We are hopeful that our recent success will lead to this perception changing. Your Company's management, who were involved in the zinc discovery at Galmoy, which revived Ireland as a major base-metals province, have long believed that there was also significant potential for gold in Ireland and, with that objective in mind, initiated the exploration programme by your Company which has successfully identified this new gold district stretching across three counties and where, at Clontibret, in Co. Monaghan, your Company proposes to develop a gold mine.

Mining in Ireland

Ireland is currently a major base metal producer. There is a long established mining tradition, a favourable business climate and excellent infrastructure. The Conroy executive team involved in the discovery and development of the Galmoy zinc ore bodies which led to the revival of the Irish base metal industry now look forward to the development of a gold mine at Clontibret.

World Gold Production

Global gold mine production reached a peak of 2,600 tonnes in 2001 but has since declined with countries such as South Africa producing far less gold than previously. Demand for gold is greater than supply with the deficit made up by recycling and Central Bank sales. The trend of Central Bank selling has now reversed. China is said to be doubling its gold reserves and other countries are also increasing their purchases of gold. This excess of demand over supply is a very important development which augurs well for your Company's future as it moves towards becoming a gold producer.

Share Price

Your Board believes that your Company's value as measured by the share price is yet to reflect the increasing value of its underlying assets as it moves towards development and production.

Finance

The loss after taxation for the year ended 31 May 2011 was €427,970 (2010: €290,445) and the net assets as at 31 May 2011 were €11,647,817 (2010: €9,344,116). Cash at bank as at 31 May 2011 was €749,459 (2010: €1,648,160).

During the year £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 €687,540 (the equivalent of £600,000 sterling) of my loans to the Company into shares at the same price.

As in previous years, I have supported the working capital requirements of the Company. The balance of the loans due to me at the period end was €554,612. 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.

Subsequent to the year end a further £750,000 sterling was raised by the issue of 20,689,685 ordinary shares of €0.03 at 3.625p sterling together with 20,689,685 warrants exercisable at 4.25 pence per share. The Subscription Shares were placed at 3.625 pence per share, a premium of 22% to the closing price on the previous day. I personally subscribed for 6,896,552 of the Subscription Shares.

The Warrants can be exercised at any time from admission of the Subscription Shares to the second anniversary of the admission of the Subscription Shares. The Warrants also contain a mandatory exercise clause if the closing price of the Ordinary Shares remains at 5.5 pence per share or higher for five or more consecutive business days.

Auditors

I would like to take this 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.

Future Outlook

Your Company has made further excellent progress in the financial year to 31 May 2011. I look forward to the future with confidence as we move from the exploration phase into the development phase.

Richard Conroy

Professor Richard Conroy
Chairman

28 November 2011

Company Information

Directors

Professor Richard Conroy
*Chairman**

Maureen T.A. Jones
*Managing Director**

James P. Jones FCA
*Finance Director**

Dr Sorċa Conroy
Non-Executive Director

Seamus P. FitzPatrick
Non-Executive Director+§

Louis J. Maguire
Non-Executive Director+§*

Michael E. Power
Non-Executive Director§*

C. David Wathen
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 FCA
10 Upper Pembroke Street
Dublin 2
Ireland

Nominated Adviser

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

Broker

XCap Securities Limited
24 Cornhill
London EC3V 3ND
UK

ESM Adviser

IBI Corporate Finance
40 Mespil Road
Dublin 4

Auditors

Deloitte & Touche
Chartered Accountants
Deloitte & Touche House
Charlotte Quay
Limerick

Principal Bankers

National Irish Bank
138 Lower Baggot Street
Dublin 2

Registrars

Capita Registrars (Ireland) Limited
Unit 5
Manor Street Business Park
Manor Street
Dublin 7
www.capitaregistrars.ie

Legal Advisers

William Fry Solicitors
Fitzwilton House
Wilton Place
Dublin 2

Head Office

Conroy Gold and Natural Resources plc
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Fax: +353-1-662 1213

For further information visit the Company's website at:

www.conroygoldandnaturalresources.com

or contact:

Lothbury Financial Services Limited
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; Dr. 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 Gold and Natural Resources plc for the year ended 31 May 2011.

Change of Name

Following the passing of the resolution to change the name of the Company at the last Annual General Meeting, the name of the Company was changed from Conroy Diamonds and Gold plc to Conroy Gold and Natural Resources plc effective from 28 January 2011.

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 ounces) 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. 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 directors recognise that the future realisation of exploration and evaluation assets is dependent on the successful further development and ultimate production of the mineral reserves and the availability of sufficient finance to bring the reserves to economic maturity and profitability.

On 27 September 2011, the Company raised £750,000 (before share issue costs) sterling (€868,000) through a subscription of 20,689,555 ordinary shares.

The directors have considered the proposed work programme for exploration and evaluation assets and the funds raised during the year, on the basis of the cash balances on hand, the additional capital subscribed subsequent to year end together with the very encouraging results from the exploration programme and the scoping study, consider it appropriate to prepare the financial statements on the going concern basis.

Key Performance Indicators

Currently the Company's main key performance indicator 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 2011

The statement of financial position as at 31 May 2011 and the income statement for the year are set out on pages 13 and 14. The Company recorded a loss for the financial year of €427,970 (2010: Loss €290,445). Taking account of the current year loss and the share capital issued during the year the equity increased to €11,647,817 at 31 May 2011 from €9,344,116 at 31 May 2010.

Important Events Since the Year End

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

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. Séamus FitzPatrick, Mr. Louis Maguire and Mr. Michael Power will retire by rotation and, being eligible, will offer themselves for re-election at the Annual General Meeting.

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.

Report of the Directors *continued*

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. 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. He is also Chairman of Karelian Diamond Resources plc.

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 Gold and Natural Resources plc. She has been managing director since 1998. She is also a director of Karelian Diamond Resources plc.

Mr. James Jones, Finance Director, has been associated with the natural resources industry for over 20 years. He is a chartered accountant. 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 Gold and Natural Resources 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, Valeo Foods 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. He is also a director of Karelian Diamond Resources plc.

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. Recently he has been appointed as an independent Chairman of the Skipton Business Improvement District.

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.

Report of the Directors *continued*

Directors' and Secretary's Shareholdings and Other Interests

	At 31 May 2011			At 31 May 2010		
	Ordinary shares of €0.03 each	Options	Warrants	Ordinary shares of €0.03 each	Options	Warrants
R.T.W.L. Conroy	50,377,639*	1,100,000	34,934,765	40,377,639*	2,225,000	34,934,765
M.T.A. Jones	880,010	825,000	22,507,028	880,010	1,150,000	22,507,028
J.P. Jones	475,010	550,000	13,188,420	475,010	825,000	13,188,420
H.H. Rennison	330,010	-	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	-	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	223,500	-	507,641
S. Conroy	488,177	-	-	488,177	-	-

* Of the 50,377,639 (2010: 40,377,639) Ordinary Shares beneficially held by Professor Richard Conroy, 19,294,286 (2010: 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 2011	Granted During Year	At 31 May 2010	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 2011	Granted During Year	At 31 May 2010	Price €	Expiry Date
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	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	0.08	14 March 2013
J.P. Jones	275,000	-	275,000	0.10	26 November 2013

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 2011.

Name	Number of Ordinary Shares	%
Professor Richard Conroy	50,377,639*	21.86
Mr. Patrick O'Sullivan	12,500,000	5.42
Mr. Bruce Rowan	10,450,000	4.53
Gartmore Investment Limited	9,221,281	4.00
T1ps Investment Management Ltd	7,142,857	3.10

*Of the 50,377,639 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, continues in office in accordance with Section 160 (2) of the Companies Act, 1963.

Signed on behalf of the Board

R.T.W.L. Conroy
Director

J.P. Jones
Director

28 November 2011

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 profit or 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 judgements 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

The Board of Directors is accountable to the Company's shareholders for good corporate governance.

Board of Directors

The board supports standards in corporate governance and endeavours to implement such standards constructively and in a sensible and pragmatic fashion with the objective of enhancing and protecting shareholder value.

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. All directors are subject to re-election. A Statement of Directors' Responsibilities in relation to the annual financial statements is set out at page 9.

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 judgement 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 all 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; and a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit.

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 inherent limitations in any system of internal control and, accordingly, even the most effective system can provide only reasonable and not absolute assurance with respect to the preparation of financial information and the safeguarding of assets.

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, www.conroygoldandnaturalresources.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 chairmen 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 Gold and Natural Resources plc

We have audited the financial statements of Conroy Gold and Natural Resources plc for the year ended 31 May 2011 which comprise the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 21. 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 for preparing the Annual Report, including as set out in the Statement of Directors Responsibilities, 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 statement of financial position 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 within it. 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 further 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 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 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 2011 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 – Valuation 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 statement of financial position of €11,759,028. The realisation of these assets is dependent on the successful further development and ultimate production of the mineral reserves and the continued availability of sufficient finance to bring the reserves to economic maturity and profitability. 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

Independent Auditor's Report *continued*

Company's statement of financial position 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 statement of financial position 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 2011 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.

John Gilmartin
For and on behalf of Deloitte & Touche
Chartered Accountants and Registered Auditors
Limerick

28 November 2011

Statement of Financial Position

As at 31 May 2011

	Note	2011 €	2010 €
ASSETS			€
Non-current Assets			
Intangible assets	7	**11,759,028**	9,802,468
Investment in Subsidiary	8	**2**	2
Property, plant and equipment	9	**23,849**	14,424
		11,782,879	9,816,894
Current Assets			
Trade and other receivables	10	**81,323**	56,381
Cash and cash equivalents		**749,459**	1,648,160
		830,782	1,704,541
Total Assets		**12,613,661**	11,521,435
EQUITY AND LIABILITIES			
Capital and Reserves			
Called up share capital	13	**6,913,935**	5,713,935
Share premium	13	**7,656,028**	6,273,383
Capital conversion reserve fund	13	**30,617**	30,617
Share based payments reserve		**731,682**	582,656
Retained losses		**(3,684,445)**	(3,256,475)
Total Equity		**11,647,817**	9,344,116
Non-current Liabilities			
Financial Liabilities	12	**646,673**	1,636,661
Total Non-current Liabilities		**646,673**	1,636,661
Current Liabilities			
Trade and other payables	11	**319,171**	540,658
Total Current Liabilities		**319,171**	540,658
Total Liabilities		**965,844**	2,177,319
Total Equity and Liabilities		**12,613,661**	11,521,435

The financial statements were approved by the Board of Directors on 28 November, 2011 and signed on its behalf:

R.T.W.L. Conroy
Director

J.P. Jones
Director

Income Statement

For the year ended 31 May 2011

	Note	2011 €	2010 €
Operating Expenses	3	**(364,356)**	(151,793)
Finance income – bank interest receivable		**5,764**	77
Finance costs – interest on shareholder loan		**(69,378)**	(138,729)
Loss Before Taxation	4	**(427,970)**	(290,445)
Taxation	5	**–**	–
Loss For The Year		**(427,970)**	(290,445)
Loss per ordinary share – basic and diluted	6	**(€0.0020)**	(€0.0021)

Statement of Comprehensive Income

For the year ended 31 May 2011

	2011 €	2010 €
Loss For The Year	**(427,970)**	(290,445)
Total income and expense recognised in other comprehensive income	**–**	–
Total Comprehensive Income For The Year	**(427,970)**	(290,445)

The financial statements were approved by the Board of Directors on 28 November, 2011 and signed on its behalf:

R.T.W.L. Conroy
Director

J.P. Jones
Director

Statement of Changes in Equity

For the year ended 31 May 2011

	Share Capital €	Share Premium €	Capital Conversion Reserve Fund €	Share-based Payment Reserve €	Retained Earnings (Deficit) €	Total Equity €
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**
At 1 June 2010	5,713,935	6,273,383	30,617	582,656	(3,256,475)	9,344,116
Share issue	1,200,000	–	–	–	–	1,200,000
Share premium	–	1,382,645	–	–	–	1,382,645
Share-based payments	–	–	–	149,026	–	149,026
Loss for the year	–	–	–	–	(427,970)	(427,970)
At 31 May 2011	**6,913,935**	**7,656,028**	**30,617**	**731,682**	**(3,684,445)**	**11,647,817**

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 2011

	Notes	2011 €	2010 €
Cash flows from operating activities			
Cash used in operations	14	**(567,558)**	(150,169)
Tax paid		**–**	–
Net cash used in operating activities		**(567,558)**	(150,169)
Cash flows from investing activities			
Investment in exploration and evaluation		**(1,836,028)**	(945,021)
Payments to acquire property, plant and equipment		**(24,158)**	(206)
Net cash used in investing activities		**(1,860,186)**	(945,227)
Cash flows from financing activities			
Issue of share capital		**1,895,105**	3,000,632
Advances of shareholder loan		**–**	190,000
Repayment of shareholder loan		**(42,424)**	(508,897)
Bank interest received		**5,764**	77
Interest paid on shareholder loan		**(329,402)**	–
Net cash generated from financing activities		**1,529,043**	2,681,812
(Decrease)/Increase in cash and cash equivalents		**(898,701)**	1,586,416
Cash and cash equivalents at beginning of year		**1,648,160**	61,744
Cash and cash equivalents at end of year		**749,459**	1,648,160

Notes to the Financial Statements

For the year ended 31 May 2011

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpretations adopted by the International Accounting Standards Board.

These financial statements have also been prepared in accordance with the Companies Acts, 1963 to 2009. The financial statements are prepared under the historical cost convention.

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 (Revised)	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:

Amendments to IAS 1 (June 2011)	Presentation of Items of Other Comprehensive Income
IAS 19 (revised June 2011)	Employee Benefits
IFRS 13	Fair Value Measurement
IFRS 12	Disclosure of Interests in Other Entities
IFRS 11	Joint Arrangements
IFRS 10	Consolidated Financial Statements
IAS 28 (revised May 2011)	Investments in Associates and Joint Ventures
IAS 27 (revised May 2011)	Separate Financial Statements
Amendments to IAS 12 (December 2010)	Deferred Tax: Recovery of Underlying Assets
Amendments to IFRS 1 (December 2010)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to IFRS 7 (October 2010)	Disclosures – Transfers of Financial Assets
Improvements to IFRSs 2010 (May 2010)	Improvements to IFRSs 2010
Amendment to IFRS 1 (January 2010)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IFRS 9	Financial Instruments
IAS 24 (revised November 2009)	Related Party Disclosures

The directors have completed an initial assessment of the impact in relation to the adoption of these Standards and Interpretations for future periods. 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.

Notes to the Financial Statements *continued*

1. ACCOUNTING POLICIES *continued*

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 book value will not be fully recovered from future development and production.

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.

Notes to the Financial Statements *continued*

1. ACCOUNTING POLICIES *continued*

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 as 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.

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 statement of financial position 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 statement of financial position.

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 statement of financial position date. The resulting profits or losses are dealt with in the income statement.

K. Shareholder Loan

The shareholder loan is 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 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.

Notes to the Financial Statements *continued*

1. ACCOUNTING POLICIES *continued*

L. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements 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 exploration and evaluation assets. Given that the activity of management and resultant operating costs are primarily focused on the Company's gold prospects, the directors consider it appropriate to capitalise a portion of such costs.

Impairment of intangible assets

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 judgements:

- 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 the successful further development and ultimate production of the mineral reserves and the availability of sufficient finance to bring the reserves to economic maturity and profitability. The realization of intangible assets depends on the successful discovery and development of economic reserves. The directors have reviewed the proposed programme for exploration and evaluation assets and on the basis of the cash balance on hand, the additional capital subscribed subsequent to year end together with the very encouraging results from the exploration programme consider it appropriate to prepare the financial statements on the going concern basis. 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. In addition, the directors consider that 80% of their activity is primarily focused on the Company's gold prospects and therefore, the directors consider it appropriate to capitalise 80% of such costs to exploration and evaluation assets.

Deferred tax

No deferred tax asset has been recognised in respect of tax losses as it cannot be considered probable that future taxable profit will be available against which the related temporary differences can be utilised.

Notes to the Financial Statements *continued*

2. GOING CONCERN

Exploration and evaluation costs capitalised as intangible assets amounted to €11,759,028 (2010: €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 of sufficient finance to bring the reserves to economic maturity and profitability.

The directors have reviewed the proposed work programme for exploration and evaluation assets and on the basis of the cash balances on hand, the additional capital subscribed subsequent to the year end, 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

(a) Analysis of operating expenses

	2011 €	2010 €
Operating expenses	**1,134,869**	766,391
Transfer to intangible assets (Note 7)	**(770,513)**	(614,598)
	364,356	151,793

Operating expenses are analysed as follows:	2011 €	2010 €
Wages and salaries	**588,838**	340,096
Share based payments	**149,026**	149,026
Depreciation	**14,729**	10,573
Loan interest	**92,061**	135,544
Auditor's remuneration	**12,500**	12,500
Other operating expenses	**347,093**	257,381
	1,204,247	905,120

Of the above costs a total of €770,513 (2010: €614,598) is capitalised to intangible assets based on a review of the nature and quantum of the underlying cost.

(b) Segmental reporting

The group has adopted IRFS8 Operating Segments with effect from 1 June 2010. IFRS8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker, being the Board of Directors, in order to allocate resources to segments and to assess their performance. The Company has one class of business, gold exploration and operates in two geographical markets, Ireland and Finland. Costs that are directly attributable to Ireland and Finland have been capitalised to exploration and evaluation assets (Note 7).

Notes to the Financial Statements *continued*

3. OPERATING EXPENSES *continued*

(c) Wages and salaries cost as disclosed above is analysed as follows:

	2011 €	2010 €
Wages and salaries	**529,595**	299,666
Social welfare costs	**23,793**	2,743
Pension costs	**35,000**	37,687
	588,388	340,096

The Company had thirteen employees during the year (2010: ten).

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

	Fees €	Salary €	Share based payment €	Pension contributions €	Total €
Professor R.T.W.L. Conroy	22,220	176,698	63,594	–	262,512
M.T.A. Jones	9,523	112,824	41,893	22,000	186,240
J.P. Jones	9,523	64,485	24,919	13,000	111,927
H.H. Rennison	9,523	–	4,079	–	13,602
L.J. Maguire	9,523	–	4,079	–	13,602
S.P. FitzPatrick	9,523	–	661	–	10,184
M.E. Power	9,523	–	2,313	–	11,836
C.D. Wathen	9,523	–	933	–	10,456
Dr S.C.Conroy	9,523	–	–	–	9,523
	98,404	354,007	142,471	35,000	629,882

The total share based payment charge of €149,026 (2010: €149,026) is accounted for as shown below:

	2011 €	2010 €
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.

Notes to the Financial Statements *continued*

4. LOSS BEFORE TAXATION

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

	2011 €	2010 €
Directors' remuneration		
Fees	**98,404**	89,992
Other emoluments (including pension contributions)	**389,007**	210,691
Share based payments	**149,026**	149,026
Depreciation	**14,733**	10,573
Auditor's remuneration		
Audit	**15,000**	12,500
Other assurance	**–**	–
Tax advisory	**–**	–
Other non-audit service	**–**	–

5. TAXATION

No taxation charge arises in the current or prior financial year due to losses incurred.

Factors affecting the tax charge for the year:

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

	2011 €	2010 €
Loss on ordinary activities before tax	**(427,970)**	(290,445)
Loss on ordinary activities multiplied by the standard rate of Irish corporation tax of 12.5% (2010: 12.5%)	**(53,496)**	(36,306)
Effects of:		
Losses carried forward for future utilisation	**53,496**	36,306
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 deferred tax asset not recognised amounts to €301,025 (2010: €294,339).

Notes to the Financial Statements *continued*

6. LOSS PER ORDINARY SHARE – BASIC AND DILUTED

The calculation of the loss per ordinary share of €0.0020 (2010: €0.0021) is based on the loss for the financial year of €427,970 (2010: €290,445) and the weighted average number of ordinary shares in issue during the year of 213,797,820 (2010: 136,981,154).

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

7. INTANGIBLE ASSETS

Exploration and Evaluation	2011 €	2010 €
Cost		
At 1 June	**9,802,468**	8,736,915
Expenditure during the year		
– licence and appraisal costs	**1,186,047**	450,955
– other operating expenses (Note 3)	**649,981**	494,066
– equity settled share based payments (Note 3)	**120,532**	120,532
At 31 May	**11,759,028**	9,802,468

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

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

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

Mineral interests are categorised as follows:

Ireland	2011 €	2010 €
Cost		
At 1 June	**8,446,449**	7,473,451
Expenditure during the year		
– licence and appraisal costs	**1,158,589**	399,522
– other operating expenses	**552,484**	471,024
– equity settled share based payments	**102,452**	102,452
At 31 May	**10,259,974**	8,446,449

Notes to the Financial Statements *continued*

7. INTANGIBLE ASSETS *continued*

Finland	2011 €	2010 €
Cost		
At 1 June	**1,356,019**	1,263,464
Expenditure during the year		
– licence and appraisal costs	**27,458**	51,433
– other operating expenses	**97,497**	23,042
– equity settled share based payments	**18,080**	18,080
At 31 May	**1,499,054**	1,356,019

8. INVESTMENT IN SUBSIDIARY

	% Owned	2011 €	2010 €
Shares in subsidiary company (Unlisted shares) at cost:			
Trans-International Mineral Exploration Limited	100%	**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

	Motor Vehicles €	Plant & Office Equipment €	Total €
Cost			
At 1 June 2010	12,804	105,725	118,529
Additions	17,754	6,404	24,158
Disposals	(12,804)	–	(12,804)
At 31 May 2011	**17,754**	**112,129**	**129,883**
Accumulated Depreciation			
At 1 June 2010	12,804	91,301	104,105
Disposals	(12,804)	–	(12,804)
Charge for the year	3,516	11,217	14,733
At 31 May 2011	**3,516**	**102,518**	**106,034**
At 31 May 2011	**14,238**	**9,611**	**23,849**

Notes to the Financial Statements *continued*

9. PROPERTY, PLANT AND EQUIPMENT *continued*

	Motor 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 2009	**12,804**	**91,301**	**104,105**
At 31 May 2010	**–**	**14,424**	**14,424**

10. TRADE AND OTHER RECEIVABLES

	2011 €	2010 €
VAT receivable	**60,705**	25,928
Other debtors	**20,618**	30,453
	81,323	56,381

11. TRADE AND OTHER PAYABLES

Amounts falling due within one year	2011 €	2010 €
Accrued directors' remuneration		
– fees and other emoluments	**–**	359,447
– pension contributions	**17,500**	37,687
Other accruals	**301,671**	143,524
	319,171	540,658

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.

Notes to the Financial Statements *continued*

12. FINANCIAL LIABILITIES

	2011 €	2010 €
Shareholder loans		
Opening balance	**1,636,661**	2,141,829
Funds advanced	**–**	190,000
Conversion to share capital	**(687,540)**	(325,000)
Loan interest repaid	**(329,402)**	–
Loan amount repaid	**(42,424)**	(508,897)
Interest charge for the year	**69,378**	138,729
	646,673	1,636,661

The immediate funding requirements of the Company have been partly financed by advances from Professor R.T.W.L. Conroy. Interest at a rate of 8.25% per annum is accrued on all amounts advanced. The accrued interest for the year ended 31 May 2011 is €92,061 (2010: €352,085). The Company has received confirmation that repayment of the loan will not be demanded for a period of 12 months from the date of approval of the financial statements unless the Company has sufficient resources available to make such a payment.

On 28 October 2010, the Company issued 10,000,000 shares at £0.06 Sterling per share to Professor R.T.W.L. Conroy in consideration for which the shareholder loan reduced by €687,540.

On 31 August 2009, the Company issued 10,833,333 shares at €0.03 per share to Professor R.T.W.L. Conroy in consideration for which the shareholder loan reduced by €325,000.

13. CALLED UP SHARE CAPITAL AND PREMIUM

	2011 €	2010 €
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	190,464,487	5,713,935	30,617	6,273,383
Share issues (a)	40,000,000	1,200,000	–	1,550,160
Issue expenses	–	–	–	(167,515)
End of Year	230,464,487	6,913,935	30,617	7,656,028

(a) On 27 October 2010, 40,000,000 shares were issued at 6p sterling realising €0.068754 per share resulting in a premium of €0.038754 per share.

(b) At 31 May 2011 and 31 May 2010 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 2011 and 31 May 2010 options had been issued over 4,130,000 shares. These options are exercisable at prices ranging from €0.048 to €0.10 and expire between 14 March 2013 and 14 January 2018.

Notes to the Financial Statements *continued*

13. CALLED UP SHARE CAPITAL AND PREMIUM *continued*

(d) At 31 May 2011 and 31 May 2010 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 2011 was 4.875p sterling. During the year the price ranged from 3.95p to 11.0p sterling.

14. NOTES TO THE CASH FLOW STATEMENT

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

	2011 €	2010 €
Operating loss	**(364,356)**	(151,793)
Depreciation	**14,733**	10,573
Expense recognised in income statement in respect of equity settled share based payments	**28,494**	28,494
(Decrease)/increase in creditors	**(221,487)**	(6,044)
Increase in debtors	**(24,942)**	(31,399)
Cash used in operations	**(567,558)**	(150,169)

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 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:

	2011 €	2010 €
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

Notes to the Financial Statements *continued*

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) For the year ended 31 May 2011, Conroy Gold and Natural Resources plc incurred costs totalling €166,139 (2010: €99,997) on behalf of Karelian Diamond Resources plc. These costs were repaid by Karelian Diamond Resources plc to the Company.

These costs are analysed as follows:	2011 €	2010 €
Wages and salaries	**72,652**	21,348
Rent and rates	**8,910**	9,150
Travel and subsistence	**21,374**	8,089
Legal and professional	**19,599**	32,333
Other operating expenses	**23,608**	29,077
Exploration costs	**19,996**	–
	166,139	99,997

At 31 May 2011, Conroy Gold and Natural Resources plc owed €1,285 to Karelian Diamond Resources plc (2010: €Nil).

For the year ended 31 May 2011, Conroy Gold and Natural Resources plc incurred costs totalling €5,000 (2010: €5,000) on behalf of Conroy plc.

These costs are analysed as follows:	2011 €	2010 €
Legal and professional	**5,000**	5,000
	5,000	5,000

At 31 May 2011 Conroy plc owed €5,000 to Conroy Gold and Natural Resources plc., (2010: €Nil).

c) Details of key management compensation which comprises directors remuneration including short term employee benefits €452,441 (2010: €242,344), post employment benefits €35,000 (2010: €37,687), other long term benefits €Nil (2010: €Nil), share based payment €142,471 (2010: €142,471) and termination benefits €Nil (2010: €Nil) are outlined in Note 3 to the financial statements.

Notes to the Financial Statements *continued*

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:

	2011		2010	
	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	**(3,065,000)**	**–**	–	–
At 31 May	**4,130,000**	**0.0782**	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:

	2011		2010	
	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 Gold and Natural Resources 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.

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

	2011 Stock Options	2011 Stock Warrants	2010 Stock Options	2010 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 (2010: €149,026).

Notes to the Financial Statements *continued*

18. CONTROLLING PARTY

The control of Conroy Gold and Natural Resources plc is held by the following shareholders:

Name	Number of ordinary shares	%
Professor Conroy	50,377,639*	21.86
Mr. Patrick O'Sullivan	12,500,000	5.42
Mr. Bruce Rowan	10,450,000	4.53
Gartmore Investment Limited	9,221,281	4.00
T1ps Investment Management Limited	7,142,857	3.10

* Of the 50,377,639 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

On 27 September 2011, 20,689,655 ordinary shares of €0.03 were issued at 3.625p sterling, raising additional share capital of €862,465 (£750,000 sterling). In addition, the subscribers were issued warrants to subscribe for 20,689,655 ordinary shares of €0.03 at an exercise price of 4.25p sterling at any time over the following two years with a mandatory exercise clause if the closing price of the ordinary shares remains at 5.5p sterling or higher for five or more consecutive business days.

20. FINANCIAL INSTRUMENTS

The Company's financial assets and liabilities stated at carrying amount and fair value are as follows at 31 May 2011:

	Carrying Amount 2011 €	Fair Value 2011 €	Carrying Amount/ Fair Value 2010 €
Trade and other receivables	81,323	81,323	56,381
Cash and cash equivalents	749,459	749,459	1,648,160
Trade and other payables and financial liabilities	965,844	965,844	2,177,319

The following sets out the methods and assumptions used in estimating the fair value of financial assets and liabilities.

Trade and Other Receivables/Payables and Financial Liabilities

As both receivables and payables have a remaining life of less than one year, the carrying value is deemed to reflect fair value. Although the Company has received confirmation that payment of the shareholder loan will not be demanded for a period of 12 months from the date of approval of the financial statements unless the Company has sufficient resources available to make such a payment. Consequently, the directors consider that its carrying value reflects its fair value as no fixed repayment arrangements attach to same.

Cash and Cash Equivalents

As cash and cash equivalents have a remaining maturity of less than three months, the nominal amount is deemed to reflect the fair value.

Risk Management

The Company is exposed to a variety of financial risks as a result of its activities. These risks include credit risk, liquidity risk and market risk (including interest rate risk).

Notes to the Financial Statements *continued*

20. FINANCIAL INSTRUMENTS *continued*

Credit Risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a policy of dealing only with credit warranty counterparties. The Company's exposure to credit risk relates to the carrying value of cash and cash equivalents and trade and other receivables which at 31 May 2011 amounted to €758,444 (2010: €42,582).

At 31 May 2011 and 31 May 2010 all trade receivables were not past due.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company's policy is to monitor cash flow and consider whether available cash resources are sufficient to meet its ongoing exploration programme.

The nature of the Company's activities can result in differences between actual and expected cash flows. This risk was managed by the directors during the year by way of raising sufficient finance so that the Company has sufficient resources to carry out its forthcoming work programme.

Market Risk – Interest Rate Risk

The Company's exposure to changes in interest rates relates primarily to the shareholder loan balance. If the interest rate rose by 1%, the Company's loss would increase by €9,215. A decrease in the interest rate would result in a corresponding decrease in the same amount.

21. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the board on 28 November 2011.