

Conroy Diamonds and Gold P.l.c.

Annual Report and Financial Statements 2002



CONROY
DIAMONDS AND GOLD P.l.c.

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Annual Report and Financial Statements 2002

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CONROY
DIAMONDS AND GOLD P.l.c.



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Chairman's Statement



Dear Shareholder

I have pleasure in presenting your Company's Annual Report and Financial Statements for the twelve months ended 31st May 2002, a period of further major progress for your Company. I am delighted to report excellent progress with the exploration programmes for gold in Ireland and diamonds in Finland. The continuing good results from the Longford-Down Massif within which your Company has identified the Armagh-Monaghan Gold Belt, lend encouragement to your Company's belief that the Massif itself may prove to be a new gold province of European and, perhaps, of world-class significance.

Excellent Drilling Results

The Armagh-Monaghan Gold Belt, which is becoming an increasingly significant discovery, is located in a geological structure called the Longford-Down Massif. The gold deposits and prospects identified to date are all spatially related to the Orlock Bridge Fault, a geological structure, which your Company's geologists believe most influenced the creation of the Gold Belt and is the main geological control over mineralisation in the region.

Recent drilling in the Gold Belt has included the intersection of a 67m (200ft) mineralised zone at your Company's Tullybuck-Lisglassan gold deposit in Co. Monaghan. This broad zone of gold mineralisation is much wider than any previous intersection in this deposit. The result adds further weight to the view expressed by the British Geological Survey in its March 2000 report that mineralisation at Tullybuck-Lisglassan may be considerably more extensive than previously thought. It also has important implications for the demonstration of an economic resource for future mining.

Results from drilling at your Company's gold deposit at Cargalisgorran in Co. Armagh are also highly encouraging. Significant gold mineralisation has been identified in three separate structures over a strike length of approximately 150m. The deepest intersection to date is at a vertical depth of around 55m below surface. The mineralised structures are parallel, trend NNE, and all three are open at depth and along strike. Only a very small part of a very large geochemical anomaly covering the Cargalisgorran prospect has so far been investigated by trenching and drilling.

A new zone of gold mineralisation has been discovered in the Gold Belt. The new discovery is located at Tivnacree in Co. Armagh, some 1.2 km south-west of Cargalisgorran where previous reconnaissance geochemistry outlined a gold – in soil anomaly some 300 x 250 metres in area. The identification of this new zone of gold mineralisation is a very welcome development which adds further weight to the view that the two gold deposits already discovered by the Company in Armagh and Monaghan are part of a larger gold bearing system.

Several other gold in soil anomalies have also been outlined by geochemical sampling elsewhere within the Armagh-Monaghan Gold Belt. All of the Gold Belt lies within your Company's licence area.

Elsewhere in the Longford-Down Massif, near Slieve Glah in Co. Cavan, some 45 kilometres to the south west of Tullybuck-Lisglassan, the Orlock Bridge Fault shows a marked deviation to the south and may form a dilation zone. This type of geological structure is frequently associated with large-scale mineral deposition. To date a detailed soil geochemistry programme has defined three extensive gold anomalies in the area and trenching to bedrock is planned in order to define drill targets.

Diamond Indicator Minerals

I am very pleased to report highly encouraging results from your Company's ongoing diamond exploration programme in Finland. A large number of kimberlitic indicator minerals, together with many diamond indicator minerals, including key G9 and G10 garnets, have been recovered from the Kuhmo district. This is an exploration area in eastern Finland close to the Russian border where your Company has completed a programme of regional till sampling covering approximately 1,700km².

G9 and G10 garnets are formed at the same temperatures and pressures as diamonds but in larger quantities and their presence in till samples is therefore particularly encouraging at such an early stage in the programme.

Your Company also discovered kimberlitic indicators and G9 garnets in an area in western Finland. Both eastern and western exploration areas lie within the Archaean Karelian Craton, the block of ancient crustal rocks, which extends into Russia where it is known to contain major diamond deposits.

The type of indicator minerals found in the Kuhmo area suggests that they are derived from the erosion of kimberlites, one of the

main host rocks for diamonds. Since studies have shown that the glacial tills in this part of Finland have moved only relatively short distances, the source of the indicator minerals may be nearby.

The Kuhmo district is part of the Karelian Craton that extends into Russia and it is considered to be one of the most prospective areas for diamonds in Finland. Crustal thickness is of crucial importance in the formation of kimberlite pipes of economic significance, and in the Kuhmo area the earth's crust is over 200km thick.

Your Company's exploration strategy is based on the belief that world-class diamond deposits similar to those found in Russia may exist in similar geology on the Finnish side of the border. The latest results support your Company's strategy and are a highly significant step towards finding economic diamond bearing kimberlites in Finland.

The sampling programme is being undertaken on your Company's behalf by the Geological Survey of Finland (GSF) in conjunction with Conroy Diamonds and Gold staff and consultants.

Sample analysis is being undertaken in the GSF laboratories.

These are excellent results at this stage of your Company's exploration programme and we are obviously very pleased particularly in terms of the numbers of indicator minerals recovered and their distribution pattern. When viewed in conjunction with studies of glacial till movement in this area of Finland, it suggests we may be close to the kimberlite source of these indicator minerals.

In terms of the search for diamondiferous kimberlites in Finland by Conroy Diamonds and Gold and other companies, our results appear to be equal to, or better than, anything reported by others at a comparable stage of exploration and augur well for future diamond discoveries.



Strategy

The success of your Company's exploration strategy in identifying major geological and prospecting opportunities is most encouraging with a potentially world class gold mining discovery in Ireland and excellent results from diamond exploration in Finland.

Finance

At the Annual General Meeting on the 12th December, 2001 the authorised and issued ordinary shares of IR£0.025 each were redenominated into Euro units and renominised as shares of €0.03 each as detailed in Note 10 to the accounts.

The last year has been a very difficult one on Stock Exchanges around the globe. Despite this the Company raised €601,647, net of expenses, last spring through the issue of 3,130,000 new ordinary shares, the details of which are set out in Note 10 to the accounts. These funds have enabled your Company to continue with its programmes, the excellent results of which I have detailed above. In July a further 3,000,000 ordinary shares of €0.03 each were issued for a consideration of 10p sterling per share (€0.155 per share resulting in a premium of €0.125 per share) to further fund the exploration programme.

Auditors

I would like to take the opportunity of thanking the partners and staff of Arthur Andersen for their services to your Company and to welcome KPMG, with whom Arthur Andersen in Ireland have combined, as the new auditors.

Directors, Consultants and Staff

I would like to express my appreciation of the support and dedication of the directors, consultants and staff. I am pleased to welcome the appointment of Mr Jim Sweeney as an additional senior geologist. Jim has extensive experience in both gold and diamond exploration and development.

Future Outlook

Your Company looks to the future with considerable confidence. We have a potentially world-class gold prospect in Ireland, excellent results from our diamond exploration programme in Finland and the team with a track record to build on this success.

Professor Richard Conroy
Chairman

Review of Operations 2002

Introduction

Highlights of Conroy's operations during the past year are the identification of a wide zone of gold mineralisation at the Tullybuck-Lisglassan Gold Deposit and a new zone of gold mineralisation at Tivnacree in Co. Armagh, both on the Company's ground holding in the Longford-Down Massif. In Finland, the discovery of diamond indicator minerals on the Company's acreage is a significant step in the search for diamondiferous kimberlites.

The latest discovery at Tullybuck-Lisglassan resulted from the most recent drilling campaign and adds weight to the view that the deposit is potentially part of a much larger mineralised system.

At a new prospect, Tivnacree, preliminary trenching and drilling over a gold in soil anomaly have identified gold in bedrock. This most recent discovery confirms the Company's view that gold mineralisation is widespread in this area and is seen as a promising breakthrough in what is an untested area.

Elsewhere in the Longford-Down Massif, further prospects have been identified through work carried out in the past year. As a result of our soil sampling and trenching programmes, a number of targets have been outlined, which we expect to drill in the near future.

In Finland, results from our exploration programme in the Kuhmo area are highly encouraging. To date, a large number of kimberlitic and diamond indicator minerals have been recovered. These include G9 and G10 garnets, which are particularly important diamond indicator minerals.

The Company now holds approximately 1500km² of prospective ground in Ireland and in Finland our ground holding has been increased significantly.

Ireland - The Longford-Down Massif

Regional Geology

The Longford-Down Massif forms part of a Caledonian Terrane stretching from north-eastern America to Scandinavia. It extends through the counties of Longford, Cavan and Monaghan in the Republic of Ireland and Armagh and Down in Northern Ireland. The Massif is of Ordovician-Silurian age and was formed as an accretionary prism along the collision margin of two crustal plates, the Iapetus and the Laurentian. Comparable and correlatable geology and mineralisation is found in Scotland (the Southern Upland mineral fields and occurrences) and North America (Newfoundland and New Brunswick). The structure and lithologies of the Massif are developed more or less parallel to the plate and collision margin. The northern part of the Massif is mainly of Ordovician age and andesitic greywacke composition. The south is mainly Silurian and composed principally of lithic and feldspathic greywacke. The boundary between the two greywacke types, andesitic and non-andesitic greywacke is defined by a major strike-slip fault, known as the Orlock Bridge Fault (OBF), with a lateral displacement in excess of 400 kilometres.





Armagh-Monaghan Gold Belt

The Company's mineralisation model for the Armagh-Monaghan Gold Belt in the Longford-Down Massif, proposes interaction between the OBF and deep-seated geological features. The presence of post-OBF north-south faulting and Caledonian age intrusive rocks are also regarded as significant components of the model.

The Company's work at both Tullybuck-Lisglassan in Co. Monaghan, and Cargalisgorran in Co. Armagh has confirmed the presence of mineable widths and grades of gold mineralisation. During this year's drilling programme, the best intersection yet has been achieved at Tullybuck-Lisglassan. Significantly this showed a much wider zone of mineralisation (67.3m down hole) than any previous drilling. This broad mineralised zone included a number of high-grade gold bearing intervals, which are tabulated below:

Hole No.	From (m)	To (m)	Interval	Au g/t
10	22.70	24.20	1.50	6.23
10	45.25	50.00	4.75	2.50
10	78.50	85.25	6.75	3.15

The significance of this intersection is that it shows gold mineralisation at Tullybuck-Lisglassan is not just confined to the high-grade veins previously reported.

Also at Tullybuck-Lisglassan, another drill hole, located approximately 200m north of hole No. 10, intersected a mineralised fault structure similar to others encountered in earlier drilling. In all cases at Tullybuck-Lisglassan gold mineralisation is associated with fault breccia, wallrock alteration and the development of sulphide minerals.

The results from this hole illustrate significant strike potential at Tullybuck-Lisglassan, and are seen as highly significant.

At Tivnacree in Co. Armagh, 5 kilometres north west of Tullybuck-Lisglassan, a new zone of gold mineralisation has been discovered. Trenching over a >10 ppb gold in soil anomaly has returned gold in bedrock values up to 5 metres @ 1.62 g/t gold. Subsequent drilling has identified a mineralised shear zone exhibiting characteristics similar to those seen at Tullybuck-Lisglassan and Cargalisgorran.

Elsewhere in the Armagh-Monaghan Gold Belt, additional trenching and drilling targets have been defined. Drilling is planned in selected areas where trenching has outlined areas of anomalous gold in bedrock. Several trenching targets have also been identified over areas where soil geochemistry has shown anomalous gold values.



Finland:
Pitting for Indicator Minerals

Other Exploration

At Slieve Glah, also in the Longford-Down Massif, some 45 kilometres south west of Tullybuck-Lisglassan, soil geochemistry has shown anomalous gold values extending over approximately 1.7 kilometres. Trenching targets have been chosen over selected parts of this anomaly.

Elsewhere, reconnaissance work continues on numerous gold and base metal targets.

Finland

The Company's exploration efforts in Finland are focused on the Karelian and Kola Cratons, two major structures which form the ancient geological core of north-west Europe, the Baltic Shield. This part of Finland is known to be highly prospective, particularly for diamonds. Indeed, major diamond discoveries have been made across the border in Russia, in particular the Lomonosova deposit, which is hosted by the Karelian Craton. Several companies have also discovered diamondiferous kimberlites in the Finnish Karelian Craton.

During the past year the Company has significantly increased its ground holding in Finland. This ground holding is mostly in the Kuhmo area of eastern Finland in the Karelian Craton.

The Company's ongoing diamond exploration programme in the Kuhmo area has yielded highly significant results this year, including the recovery of a large number of kimberlitic and diamond indicator minerals. These include G9 and G10 garnets, which are of special significance, as they are known to form at the

same temperatures and pressures as diamonds. The indicator minerals found during this programme occur in clusters and the pattern of their distribution suggests a possible kimberlite source in the vicinity and within our licensed area.

The results thus far from our sampling programme in Finland reinforce the Company's belief that world-class diamond deposits similar to those found in Russia may exist in the Karelian Craton on the Finnish side of the border. These results are also a most significant step towards the discovery of economic diamond bearing kimberlites in Finland by the Company.



Company Information

Directors

Professor Richard Conroy
*Chairman**

Maureen T. A. Jones
*Managing Director**

James P. Jones
Finance Director+*

Louis J. Maguire
Non-Executive Director+*

Henry B. Knott
Non-Executive Director+§

Dr. Pamela Conroy
Non-Executive Director§

Henry H. Rennison+§

* *Members of Executive Committee*

+ *Members of Remuneration Committee*

§ *Members of Audit Committee*

Company Secretary and Registered Office

James P. Jones
10 Upper Pembroke Street
Dublin 2
Ireland
www.conroydiamondsandgold.com

Auditors

KPMG
Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1

Nominated Adviser

Seymour Pierce Limited
29/30 Cornhill
London EC3V 3NF

Nominated Broker

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

Dublin Stockbrokers

Dolmen Butler Briscoe
Dolmen House
4 Earlsfort Terrace
Dublin 2

Registrars

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

Legal Advisers

William Fry Solicitors
Fitzwilton House
Wilton Place
Dublin 2

Roschier-Holmberg
Keskuskatu 7A
00 100 Helsinki
Finland



Professor Richard Conroy



Maureen T. A. Jones



James P. Jones F.C.A.



Dr. Pamela Conroy



Henry H. Rennison



Louis J. Maguire



Henry B. Knott

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CONROY
DIAMONDS AND GOLD P.l.c.

Directors' Report

for the Year Ended 31 May 2002

The Directors present their annual report, together with the audited financial statements of Conroy Diamonds and Gold Plc for the year ended 31 May 2002.

Principal Activities and Business Review

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

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

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

Future Development of the Business

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

Results for the Year and State of Affairs at 31 May 2002

The profit and loss account for the year ended 31 May 2002 and the balance sheet at that date are set out on pages 17 and 18 respectively. The Company recorded a loss for the financial year of €347,862 (2001 - €305,369). The shareholders' funds increased to €3,485,595 at 31 May 2002 from €3,231,810 at 31 May 2001.

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

Important Events since the Year End

Between 19 and 23 July 2002, 3,000,000 ordinary shares of €0.03 each were issued for a consideration of 10p sterling per share to fund further mineral exploration. This realised €0.155 per share resulting in a premium of €0.125 per share.

There have been no other significant events affecting the Company since the end of the financial year.

Health and Safety at Work

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

Directors

The Directors who served during the year are as follows:

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

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

Directors' and Secretary's Shareholdings and Other Interests

The interests of the Directors and Secretary, all of which were beneficially held, in the ordinary share capital of the Company at 31 May 2001 and 31 May 2002 were as follows:

	Ordinary Shares of €0.03 each	Options
R.T.W.L. Conroy	3,750,010	1,000,000
J.P. Jones	350,010	275,000
M.T.A. Jones	750,010	325,000
H.H. Rennison	330,010	50,000
P. Conroy	500,010	125,000
L.J. Maguire	310,010	50,000
H.B. Knott	150,010	25,000

Details of the options are as follows:

Directors	At 31 May 2001	Granted During Year	Exercised During Year	At 31 May 2002	Price €	Expiry Date
R.T.W.L. Conroy	1,000,000	-	-	1,000,000	0.2539	4 Dec 2010
J.P. Jones	275,000	-	-	275,000	0.2539	4 Dec 2010
M.T.A. Jones	325,000	-	-	325,000	0.2539	4 Dec 2010
H.H. Rennison	50,000	-	-	50,000	0.2539	4 Dec 2010
P. Conroy	125,000	-	-	125,000	0.2539	4 Dec 2010
L.J. Maguire	50,000	-	-	50,000	0.2539	4 Dec 2010
H.B. Knott	25,000	-	-	25,000	0.2539	4 Dec 2010

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

Directors' Report

continued

Substantial Shareholdings

So far as the Board is aware, no person or company, other than the Directors' interests disclosed above and the shareholder listed below, held 3% or more of the issued ordinary share capital of the Company at 31 May 2002.

Name	Number of Shares	%
Gartmore Fund Managers Limited	946,000	4.57

Political Donations

There were no political donations during the year.

Books of Account

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

Directors' Responsibility Statement

Company law requires the Directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing the financial statements, the Directors have:

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

On behalf of the Board

R.T.W.L. Conroy Director	J.P. Jones Director
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30 August 2002

Independent Auditors' Report

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

Respective Responsibilities of Directors and Auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. We also report to you whether, in our opinion: proper books of account have been kept by the Company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information necessary for the purposes of our audit and whether the Company's balance sheet and its profit and loss account are in agreement with the books of account.

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

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

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Mineral Interests

In forming our opinion, we considered the adequacy of the disclosures made in the financial statements, particularly in Note 6 in relation to the Directors' assessment of the carrying value of the Company's mineral interests held outside the cost pools of €4,250,337. In view of the significance of this uncertainty, we consider that this should be drawn to your attention. Our opinion is not qualified in this respect.

Independent Auditors' Report

continued

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company at 31 May 2002 and of its loss and cashflows for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2001.

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

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

The net assets of the Company, as stated in the balance sheet on page 18 are more than half of the amount of its called up share capital and, in our opinion on that basis there did not exist at 31 May 2002, 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.

Arthur Andersen

Chartered Accountants and Registered Auditor
Dublin

30 August 2002

Profit and Loss Account

for the Year Ended 31 May 2002

	<i>Notes</i>	2002 €	2001 €
Operating Expenses	2	(355,245)	(320,190)
Other Income		7,383	14,821
Loss on Ordinary Activities before Taxation	3	(347,862)	(305,369)
Tax on loss on ordinary activities	4	-	-
Loss for the Year		(347,862)	(305,369)
Profit and Loss Account, at 31 May 2001		(743,794)	(438,425)
Profit and Loss Account, at 31 May 2002		(1,091,656)	(743,794)
Loss per ordinary share – Basic and fully diluted	5	(€0.019)	(€0.022)

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

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

R.T.W.L. Conroy
Director

J.P. Jones
Director

Approved by the Directors on 30 August 2002

Balance Sheet

31 May 2002

	Notes	2002 €	2001 €
Fixed Assets			
Mineral interests	6	4,250,337	3,261,035
Tangible assets	11	66,746	65,863
		<u>4,317,083</u>	<u>3,326,898</u>
Current Assets			
Debtors	7	19,449	45,957
Cash at bank and in hand		208,549	1,049,695
		<u>227,998</u>	<u>1,095,652</u>
Creditors: Amounts falling due within one year	8	(1,059,486)	(968,536)
Net Current (Liabilities)/Assets		(831,488)	127,116
Total Assets less current Liabilities		3,485,595	3,454,014
Creditors: Amounts falling due after more than one year	9	-	(222,204)
Net Assets		3,485,595	3,231,810
Capital and Reserves			
Called up share capital	10	620,732	557,449
Capital Conversion Reserve Fund	10	30,617	-
Share premium account	10	3,925,902	3,418,155
Profit and loss account		(1,091,656)	(743,794)
Shareholders' Funds – all equity	12	3,485,595	3,231,810

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

R.T.W.L. Conroy J.P. Jones
Director Director

Approved by the Directors on 30 August 2002

Cash Flow Statement

For the Year Ended 31 May 2002

	<i>Notes</i>	2002 €	2001 €
Net Cash Outflow from Operating Activities	<i>13A</i>	(199,579)	(16,875)
Returns on Investments and Servicing of Finance		-	-
Taxation		-	-
Capital Expenditure and Financial Investments	<i>13B</i>	(1,008,031)	(1,419,985)
Net Cash Outflow before Financing		(1,207,610)	(1,436,860)
Financing	<i>13B</i>	411,489	1,155,468
Decrease in Cash	<i>13C</i>	(796,121)	(281,392)

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

R.T.W.L. Conroy
Director

J.P. Jones
Director

Approved by the Directors on 30 August 2002



Statement of Accounting Policies

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

A Mineral Interests

i Exploration, appraisal and development expenditure

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

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

ii Cost Pools

Costs are capitalised within geographic cost pools which initially comprise Ireland and the rest of the world.

Costs relating to the exploration and appraisal of mineral interests which the Directors consider to be unevaluated are initially held outside the cost pool. Costs held outside the cost pool are reassessed at each year end. When a decision to develop these interests has been taken, or there is evidence of impairment, the related costs are transferred to the cost pool.

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

iii Ceiling Test

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

iv Depreciation

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

B Issue Expenses and Share Premium Account

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

C Tangible Fixed Assets

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

Motor vehicles	5 years
Office equipment	8 years

D Taxation

Corporation tax is provided on taxable profits (if any) at current rates.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.



Notes to the Financial Statements

31 May 2002

1 Operations and Going Concern

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

During the year €601,647, net of expenses, was raised by the issue of new share capital. The finance raised will be used to continue to develop the Company's activities.

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

2 Operating Expenses

	2002 €	2001 €
Management services and operating expenses (a)	944,597	862,509
Transfer to Mineral Interests (Note 6)	(589,352)	(542,319)
	<u>355,245</u>	<u>320,190</u>

a The Company had eight employees during the period (2001 - seven). The remuneration paid during the period comprised salary of €417,329, social welfare costs of €22,816 and pension costs of €90,764 (2001 - €385,848, €25,161 and €86,972 respectively).

3 Loss on Ordinary Activities before Taxation

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

	2002 €	2001 €
Auditors' remuneration	15,872	15,872
Directors' emoluments		
• fees	79,359	79,359
• other including pension contributions	410,071	393,638

Included in Director's emoluments is an amount of €90,764 (2001 - €86,972) which relates to pension costs accrued at the year end. This amount will be transferred to a defined contribution pension scheme, which is currently being established.

All losses arose from continuing operations.

4 Tax on loss on Ordinary Activities

No taxation charge arises in the financial year due to losses incurred. There was no unprovided deferred taxation at 31 May 2002 (2001 - €Nil).

5 Loss per ordinary share

The calculation of the loss per ordinary €0.019 share is based on the loss for the financial year of €347,862 (2001 – €305,369) and the weighted average number of ordinary shares on a basic and fully diluted basis during the year of 18,343,570 (2001 – 14,185,070). Share options are not included in the calculation of fully diluted shares since the Company incurred a loss in 2002 and 2001 which resulted in these shares being anti-dilutive.

6 Mineral Interests

Costs held outside cost pool:

	Ireland €	Overseas €	Total €
Cost			
At 31 May 2001	2,775,955	485,080	3,261,035
Expenditure during the period			
- licences and appraisal	307,216	92,734	399,950
- other operating costs (Note 2)	500,949	88,403	589,352
At 31 May 2002	<u>3,584,120</u>	<u>666,217</u>	<u>4,250,337</u>

The Directors have considered the proposed work programmes for these mineral interests, presently held outside the cost pools. They are satisfied that there are no indications of impairment, but recognise that future realisation of the mineral interests, held outside the cost pools, is dependent on further successful exploration and appraisal activities and the subsequent economic production of the mineral reserves.

7 Debtors

	2002 €	2001 €
Amounts falling due within one year		
VAT receivable	4,284	41,512
Other	15,165	4,445
	<u>19,449</u>	<u>45,957</u>

8 Creditors: Amounts falling due within one year

	2002 €	2001 €
Accruals	784,684	701,307
Due to related undertaking (Note 15)	274,802	222,204
Bank overdraft	-	45,025
	<u>1,059,486</u>	<u>968,536</u>

Notes to the Financial Statements

continued

9 Creditors: Amounts falling due after more than one year

	2002 €	2001 €
Due to related undertaking	-	222,204

10 Called up Share Capital and Premium

Authorised:

	2002 €	2001 €
400,000,000 ordinary shares of €0.03 each	12,000,000	12,000,000

Issued and Fully Paid:

	Number	Share Capital €	Capital conversion reserve fund €	Share Premium €
Start of year	17,561,070	557,449	-	3,418,155
Renominalisation of shares (a)	(30,617)	30,617		-
Share issue (b)	3,130,000	93,900	-	600,960
Issue expenses				(93,213)
End of year	20,691,070	620,732	30,617	3,925,902

- a On 12 December 2001, in accordance with the Economic and Monetary Union Act, 1998 (the "EMU Act"), the authorised share capital of IR£10,000,000 divided into 400,000,000 ordinary shares of IR£0.025 each and the total issued share capital of 17,561,070 ordinary shares of IR£0.025 each were redenominated into the Euro unit (as defined in the EMU Act) at the conversion rate of IR£0.787564 = €1, and then renominalised giving rise to a total issued share capital of 17,561,070 ordinary shares of €0.03 each. The total issued share capital was reduced by €30,617 as a result of the above redenomination and renominalisation and this amount was transferred to a Capital Conversion Reserve Fund.
- b Between 25 February 2002 and 10 March 2002, 3,130,000 ordinary shares of €0.03 were issued for a consideration of 13.5p sterling per share to fund further mineral exploration. This realised €0.222 per share resulting in a premium of €0.192 per share.

11 Tangible Fixed Assets

	Office Equipment €	Motor Vehicles €	Total €
Cost			
31 May 2001	27,865	60,112	87,977
Additions	18,729	-	18,729
31 May 2002	46,594	60,112	106,706
Accumulated Depreciation			
31 May 2001	8,077	14,037	22,114
Depreciation charge	5,824	12,022	17,846
31 May 2002	13,901	26,059	39,960
Net Book Value			
31 May, 2001	19,788	46,075	65,863
31 May 2002	32,693	34,053	66,746

12 Reconciliation of Movement in Shareholders' Funds

	2002 €	2001 €
At 31 May, 2001	3,231,810	2,603,915
Loss for the financial year	(347,862)	(305,369)
Shares issued, net	601,647	933,264
At 31 May 2002	3,485,595	3,231,810

13 Notes to the Cash Flow Statement

A Reconciliation of Loss to Net Cash Outflow from Operating Activities:

	2002 €	2001 €
Operating Loss	(347,862)	(305,369)
Depreciation	17,846	15,506
Increase in Creditors	103,929	300,811
Decrease/ (Increase) in Debtors	26,508	(27,823)
Net Cash (Outflow) from Operating Activities	(199,579)	(16,875)

Notes to the Financial Statements

continued

B Analysis of Cash Flows:

Capital Expenditure and Financial Investment

	2002 €	2001 €
Investment in mineral interests	(989,302)	(1,350,576)
Purchase of tangible fixed assets	(18,729)	(69,409)
	(1,008,031)	(1,419,985)

Financing

Issue of share capital, net	601,647	933,264
Due to related party (Note 15)	(190,158)	222,204
	411,489	1,155,468

C Analysis and Reconciliation of Net Funds

	31 May 2001	Cash Flow	31 May 2002
Cash at bank and in hand	1,049,695	(841,146)	208,549
Bank overdrafts	(45,025)	45,025	-
	1,004,670	(796,121)	208,549

14 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.

The commitments in relation to these licences are as follows:

	2002 €	2001 €
Expiration period:		
• Within one year	110,000	176,494
• Between two and five years	240,000	250,138
	350,000	426,632

15 Related Party Transactions

In the prior year, the Company acquired information, knowledge and expertise from Conroy Plc, a company which has common shareholders and Directors and in which one of the Directors and shareholders of the Company has a controlling interest. The purchase consideration of €444,408 was payable at 31 May 2001 (Notes 8 and 9). An amount of €190,158 was paid during the current year and the remaining balance of €254,250 at 31 May 2002 is payable within one year and included in the balance due to related undertaking. The remaining amount of €20,552 included in the total balance of €274,802 (Note 8) relates to VAT reclaimed by the Company on behalf of Conroy Plc, which is now repayable to Conroy Plc.

The Company also shares accommodation with Conroy Plc. The Company bears its appropriate share of the related costs directly.



Notice of Meeting

NOTICE is hereby given that the Annual General Meeting of Conroy Diamonds and Gold P.l.c. ("the Company") will be held at the Conrad Hotel, Earlsfort Terrace, Dublin 2 on Thursday 12 December 2002 at 12.00 noon for the purposes of transacting the following business:

- 1 To receive and consider the Financial Statements for the year ended 31 May 2002 together with the Directors' and Auditors' Reports thereon (Resolution No. 1).
- 2 To re-elect as Directors the following persons:
Mr J P Jones (Resolution No.2 (a))
Mr H B Knott (Resolution No.2 (b))
- 3 To authorize the Directors to fix the remuneration of the Auditors (Resolution No.3).
- 4 To consider and, if thought fit, pass the following resolution as a Special Resolution (Resolution No.4):

"That, for the purposes of Section 24 of the Companies (Amendment) Act, 1983 and subject to the Directors being authorized pursuant to Article 10 of the Articles of Association of the Company, the Directors be empowered to allot equity securities for cash pursuant to and in accordance with Article 11 of the Articles of Association of the Company. The authority hereby conferred shall expire at the close of business on the date of the next Annual General Meeting of the Company unless previously revoked or renewed in accordance with the provisions of the Companies (Amendment) Act, 1983."

- 5 To transact any other business.

By Order of the Board
Dated this 12th day of November 2002

James P Jones
Secretary

Registered Office
10 Upper Pembroke Street
Dublin 2

Notes:

The holders of the Ordinary Shares are entitled to attend and vote at the above General meeting of the Company. A holder of Ordinary Shares may appoint a proxy or proxies to attend, speak and vote instead of him. A proxy need not be a member of the Company.

A Form of Proxy is enclosed for use by shareholders unable to attend the meeting. Proxies to be valid must be lodged with the Company's Registrars, Capita Corporate Registrars PLC, Unit 5 Manor Street Business Park, Manor Street, Dublin 7 not less than 48 hours before the time appointed for the holding of the meeting.



CONROY
DIAMONDS AND GOLD P.l.c.