Conroy
Diamonds and Gold P.l.c.

Conroy Diamonds and Gold P.l.c.
Annual Report and Financial Statements 2006

CONROY
DIAMONDS AND GOLD P.l.c.

CONROY DIAMONDS AND GOLD P.l.c.
FINANCIAL STATEMENTS

31 May 2006

Together with Directors' and Independent Auditors' Reports

Index

CHAIRMAN'S STATEMENT

Dear Shareholder

I have great pleasure in presenting your Company's Annual Report and Financial Statements for the twelve months ended 31 May 2006, a period which has continued to bring exploration success in Ireland. Since the year-end your Company has acquired gold exploration assets in Finland from Conroy P.l.c. and now has active exploration programmes in place in both Ireland and Finland.

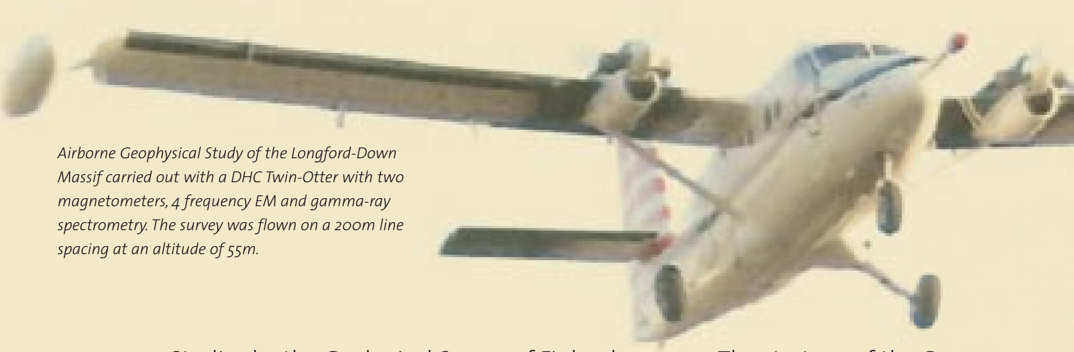
The primary objective of your Company is to establish a new gold province in Ireland through the discovery and bringing into production of one or more gold deposits. Our exploration to date in the Longford-Down Massif has established a gold trend extending for at least fifty miles along strike from Co. Armagh, through Co. Monaghan and into Co. Cavan. A detailed multi-component airborne geophysical survey has now been completed over approximately 90 per cent. of your Company's licences - an area of about 500 square miles. The results of the survey are expected to complement your Company's extensive database of results from soil sampling, trenching and drilling programmes, together with its Landsat Enhanced Thematic Mapper (ETM) and Digital Terrain Model (DTM) data. Together, this information will provide a more comprehensive geological picture of the entire licence area, enhance your Company's understanding of the area and highlight its potential to host one or more major gold deposits.

As part of a programme to focus on the gold discoveries it has made on its licences, your Company is undertaking a detailed review of the Tullybuck-Lisglassan sector of the gold trend in County Monaghan, the location of your Company's first discovery in the Armagh-Monaghan Gold Belt. Amongst other things, this review is expected to assist the Company in refining its geological model for that sector. The Company has also enjoyed further exploration success in this sector since the initial discovery was made and as a result the Tullybuck-Lisglassan represents just a small part of the larger Clontibret gold target. The Clontibret target covers an area measuring 2.5 square kms and also takes in several other gold discoveries made by your Company.

The assets acquired in Finland from Conroy P.l.c. on a share exchange basis include nine exploration licences in the Central Lapland Greenstone Belt, together with an extensive geological and geophysical database. Your directors believe that Finland has excellent prospects for gold and these prospects are underdeveloped by world standards.

The gold exploration assets acquired in Finland supplement the Company's existing gold interests in the Longford-Down Massif and will, in the Directors' opinion, expose the Company to new and exciting gold exploration opportunities in an area that is highly prospective. Finland is a mining friendly country with a well-developed infrastructure, and geological potential for large gold deposits.

Most of Finland lies on the so-called Baltic Shield – the ancient cratonic mass forming the core of North Western Europe. However, this has not been subjected to the same exploration effort seen in other shield areas of the world (e.g. Southern Africa, Western Australia, Canada) and gold in Finland has been largely produced as a by-product of mining operations in massive base metal sulphide deposits.



Airborne Geophysical Study of the Longford-Down Massif carried out with a DHC Twin-Otter with two magnetometers, 4 frequency EM and gamma-ray spectrometry. The survey was flown on a 200m line spacing at an altitude of 55m.

Studies by the Geological Survey of Finland (GTK) have resulted in a reappraisal of Finland's overall mineral endowment. These studies have indicated a high potential for gold in central Lapland. By 1991, the first gold mine in Finland was in operation, and this was followed by the discovery of the Suurikuusikko gold deposit in the central Lapland Greenstone Belt, which is estimated to have a resource of over 2 million oz of gold and is now under development by the Canadian gold mining company Agnico-Eagle Mines Limited.

The previous owner of the assets has carried out an active exploration programme for gold in Finland and has acquired a significant knowledge of the style of gold deposition and mineralisation, particularly in the central Lapland Greenstone Belt. It has built up an extensive database on gold occurrences in the area, including a comprehensive overview, detailed aeromagnetic data, and a review of the entire GTK geochemical database (sample per 4 square kilometres). The analysis of the data was followed by the collection and analysis of over 2,300 geochemical samples. This was undertaken by the GTK on behalf of the previous owner and resulted in the identification of four areas of particularly attractive prospectivity for gold in the central Lapland Greenstone Belt.

The Company proposes to continue with the exploration programme over the prospective areas, which have been identified and will also continue to employ, under contract, the services of the GTK.

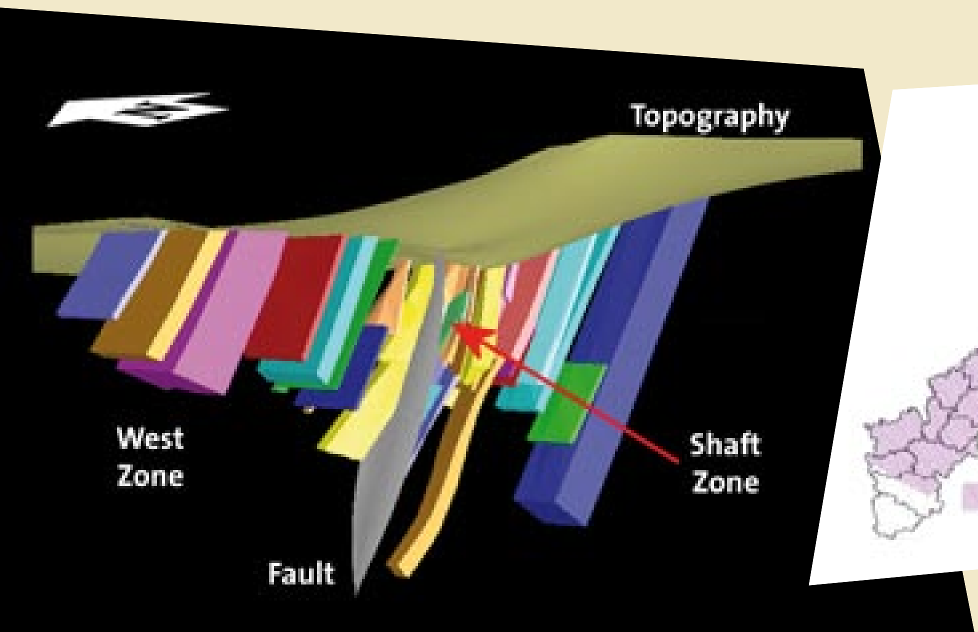
The strategy of the Company in Finland will be to identify economic gold deposits and ultimately increase shareholder value.

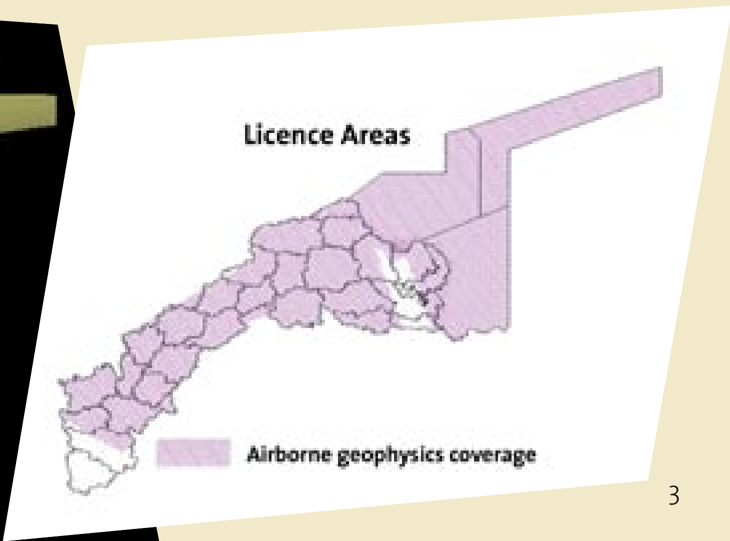
As I am the largest shareholder in Conroy P.l.c., and other Directors of the Company are also shareholders and Directors of both companies, an Extraordinary General Meeting was held on Wednesday 1 November 2006, which resolved to proceed with the acquisition of the gold exploration assets in Finland of Conroy P.l.c. These have been independently valued at €1 million by The CSA Group, a worldwide exploration management consultancy.

These assets were acquired by your Company for €1 million (£675,300), which was satisfied by the issue of 19,294,286 new Ordinary Shares, valued at 3.5p per share (the average middle market share price of the Company's Ordinary Shares in the 3 months prior to the date of the transaction). Following this transaction, Conroy P.l.c. holds 18.26 per cent. of the issued share capital of the Company.

Financials

The profit after taxation for the year ended 31 May 2006 was €354,153 (2005: loss €513,247) and the net assets as at 31 May 2006 were €5,774,325 (2005: €4,612,413).





Auditors

On 13 June 2006 Deloitte & Touche were appointed as auditors to the Company.

Directors, Consultants and Staff.

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

I am very pleased to welcome David Wathen to our Board. His extensive experience in stockbroking and corporate finance, which includes the natural resources sector, will be a valuable asset in helping the Company develop and implement plans to advance our gold projects in Ireland.

I regret to report with deep sadness the death of Dr Pamela Conroy. Dr Conroy was a founding director of the Company. Her dedication, experience, advice and support, contributed significantly to the success of your Company.

Future Outlook

The Company will continue with its asset exploration programmes with a view to establishing a new gold province in Ireland, through the discovery and bringing into production of one or more gold deposits, and developing the gold interests in Finland.

Richard Conroy

Professor Richard Conroy
Chairman

COMPANY INFORMATION

Directors

Professor Richard Conroy
*Chairman**

Maureen T.A Jones
*Managing Director**

James P. Jones FCA
Finance Director+*

Louis J. Maguire
Non-Executive Director+§*

Michael E. Power
Non-Executive Director§

Henry H. Rennison
Non-Executive Director+

C. David Wathen
(appointed 10 October 2006)
Non-Executive Director

* *Member of the Executive Committee*
\+ *Member of the Remuneration Committee*
§ *Member of the Audit Committee*

Company Secretary and Registered Office

James P. Jones FCA
10 Upper Pembroke Street
Dublin 2
Ireland

Auditors

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

Registrars

Capita Corporate Registrars P.l.c
Unit 5
Manor Street Business Park
Manor Street
Dublin 7
www.capitacorporateregistrars.ie

Nominated Adviser

John East & Partners Limited
Crystal Gate
28-30 Worship Street
London
EC2A 2AH

Broker

City Capital Securities Ltd
2 John Carpenter Street
London
EC4Y 2AH

Dublin Stockbrokers

Dolmen Butler Briscoe
Dolmen House
4 Earlsfort Terrace
Dublin 2

Legal Advisers

William Fry Solicitors
Fitzwilton House
Wilton Place
Dublin 2

Roschier-Holmberg
Keskuskatu 7A
00 100 Helsinki
Finland

Head Office

Conroy Diamonds and Gold P.l.c
10 Upper Pembroke Street
Dublin 2
Tel: 353-1-661 8958
Fax: 353-1-662 1213

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

or contact:

City of London PR
Triton Court,
Finsbury Square
London EC2A 1BR
Tel: 44-20-7628-5518

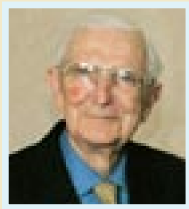
Professor Richard Conroy
Chairman

Maureen Jones
Managing Director

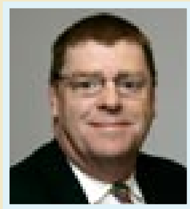
James P. Jones
Finance Director

Louis Maguire
Non-Executive Director

Michael E. Power
Non-Executive Director

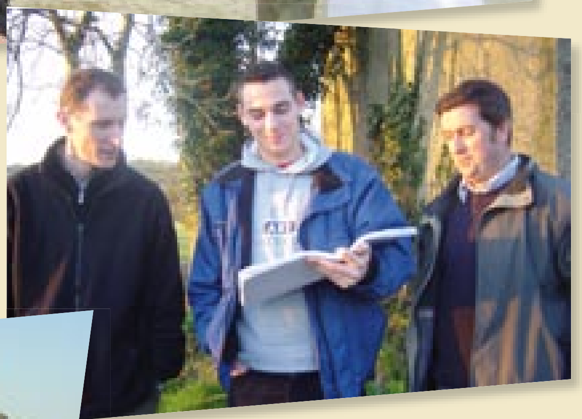


Henry H. Rennison
Non-Executive Director



David Wathen
Non-Executive Director

Working in Coreshed and out in the field in the Longford-Down Massif



DIRECTORS' REPORT

for the Year Ended 31 May 2006

The Directors present their annual report, together with the audited financial statements of Conroy Diamonds and Gold P.l.c. for the year ended 31 May 2006.

Principal Activities and Business Review

The current focus of the Company's activities is gold exploration on a major geological structure in Ireland known as the Longford-Down Massif. The Company holds prospecting licences over an area of almost 1,500 square kilometres on this structure.

Exploration within the Company's licence area has demonstrated an extensive gold belt which extends over a distance of approximately 18km from County Armagh into County Monaghan.

Future Development of the Business

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

Risks and Uncertainties

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

Results for the Year and State of Affairs at 31 May 2006

The profit and loss account for the year ended 31 May 2006 and the balance sheet at that date are set out on pages 12 and 13 respectively. The Company recorded a profit for the financial year of €354,153 (2005 - Loss €513,247). The profit included a non-recurring credit of €607,197 re waiver of directors' remuneration (Note 9). Taking account of the profit and net proceeds of a share issue which raised €807,759, the shareholders' funds increased to €5,774,325 at 31 May 2006 from €4,612,413 at 31 May 2005.

Important Events since the Year End

Subsequent to year end, On 1 November 2006 the Company acquired the gold interests of Conroy Plc, which included a number of claims (licence areas) in Finland which have potential gold prospects and an extensive database. The purchase consideration of €1,000,000 was satisfied by the issue of 19,294,286 ordinary shares of €0.03 each.

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	M. E. Power
H.H. Rennison	

The Board reports, with great sadness and regret, the death of Dr Pamela Conroy on 26 December 2005. Dr Conroy had been a director of your Company since its foundation. Her dedication, experience, advice and support contributed to a major degree in the success of your Company.

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

Since the last Annual General Meeting, on 10 October 2006, Mr David Wathen has been appointed director. Mr Wathen now retires in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

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 2005 and 31 May 2006 were as follows:

	At 31 May 2005		At 31 May 2006		
	Ordinary Shares of €0.03 Each	Options	Ordinary Shares of €0.03 Each	Options	Warrants
R.T.W.L. Conroy	3,800,010	2,100,000	9,250,020	2,225,000	21,364,493
P. Conroy	500,010	125,000	-	-	-
M.T.A. Jones	755,010	1,150,000	880,010	1,150,000	13,839,858
J.P. Jones	350,010	825,000	475,010	825,000	8,058,129
H.H. Rennison	330,010	50,000	330,010	50,000	1,450,427
M.E. Power	-	-	175,000	-	301,032
L.J. Maguire	310,010	50,000	310,010	50,000	1,450,427

Details of the warrants, all of which were granted during the year and are exercisable currently, are as follows:

Directors	At 31 May 2006	Price €	Expiry Date
R.T.W.L. Conroy	21,364,493	0.037	15 November 2015
M.T.A. Jones	13,839,858	0.037	15 November 2015
J.P. Jones	8,058,129	0.037	15 November 2015
L.J. Maguire	1,450,427	0.037	15 November 2015
M.E. Power	301,032	0.037	15 November 2015
H.H. Rennison	1,450,427	0.037	15 November 2015

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

Directors	At 31 May 2006	Granted During Year	At 31 May 2005	Price €	Expiry Date
R.T.W.L. Conroy	1,125,000	125,000	1,000,000	0.2539	4 December 2010
R.T.W.L. Conroy	500,000	-	500,000	0.08	14 March 2013
R.T.W.L. Conroy	600,000	-	600,000	0.10	26 November 2013
M.T.A. Jones	325,000	-	325,000	0.2539	4 December 2010
M.T.A. Jones	375,000	-	375,000	0.08	14 March 2013
M.T.A. Jones	450,000	-	450,000	0.10	26 November 2013
J.P. Jones	275,000	-	275,000	0.2539	4 December 2010
J.P. Jones	275,000	-	275,000	0.08	14 March 2013
J.P. Jones	275,000	-	275,000	0.10	26 November 2013
P. Conroy	-	(125,000)	125,000	0.2539	4 December 2010
H.H. Rennison	50,000	-	50,000	0.2539	4 December 2010
L.J. Maguire	50,000	-	50,000	0.2539	4 December 2010

Except as disclosed above, neither the Directors nor their families had any beneficial interest in the share capital of the Company. 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 2006

Name	Number of Shares	%
Gartmore Fund Managers Limited	12,310,000	14.25
Mr Bruce Rowan	10,450,000	12.01

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2005. 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.

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.

Auditors

The auditors, Deloitte & Touche, Chartered Accountants, were appointed during the year and 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

15 November 2006

INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of Conroy Diamonds and Gold P.l.c. for the year ended 31 May 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of directors and auditors

The directors 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 accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Our responsibilities, as independent auditors, are to audit the financial statements in accordance with relevant legal and regulatory requirements, the rules of the London Stock Exchange for the Alternative Investment Market 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 Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2005. 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 and explanations 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 also report to you if, in our opinion, any information specified by law or the rules of the London Stock Exchange for the Alternative Investment Market 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 considered whether it is consistent with the audited financial statements. The other information comprises only the Report of the Directors and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistency with the financial statements. Our responsibilities do not extend to other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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.

Mineral Interests

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the valuation of mineral interests of €5,781,855 included in the balance sheet. The realisation of the mineral interests by the company is dependent on successful development of economic reserves. We draw attention to further details given in Notes 1 and 6. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of the company as at 31 May 2006 and of the profit for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2005.

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

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet are more than half the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 May 2006 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the company.

Deloitte & Touche
Chartered Accountants
and Registered Auditors
Limerick

15 November 2006

PROFIT AND LOSS ACCOUNT

For the Year Ended 31 May 2006

		Notes	2006 €	2005 €
Operating Expenses	– recurring	2	(254,316)	(515,205)
	– non-recurring	9	607,197	-
Other Income			1,272	1,958
Profit/(Loss) on ordinary activities		3	354,153	(513,247)
Tax on profit on ordinary activities		4	-	-
Profit/(Loss) retained for the Year			354,153	(513,247)
Earnings/(Loss) per ordinary share	– Basic	5	€0.0048	(€0.008)
	– Fully diluted	5	€0.0044	-

There are no recognised gains or losses other than the profit for the year. The above all result from continuing operations.

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 15 November 2006

BALANCE SHEET

31 May 2006

	Notes	2006 €	2005 €
Fixed Assets			
Mineral interests	6	5,781,855	6,043,726
Tangible assets	7	43,635	53,015
		5,825,490	6,096,741
Current Assets			
Debtors	8	55,835	39,020
Cash at bank and in hand		312,397	62,689
		368,232	101,709
Creditors: Amounts falling due within one year	9	(419,397)	(1,586,037)
Net Current Liabilities		(51,165)	(1,484,328)
Net Assets		5,774,325	4,612,413
Capital and Reserves			
Called up share capital	10	2,591,820	2,146,320
Capital conversion reserve fund	10	30,617	30,617
Share premium	10	5,069,866	4,707,607
Profit and loss account	12	(1,917,978)	(2,272,131)
Shareholders' Funds – all equity	13	5,774,325	4,612,413

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

R.T.W.L. Conroy
Director

J.P. Jones
Director

Approved by the Directors 15 November 2006

CASH FLOW STATEMENT

For the Year Ended 31 May 2006

	Notes	2006 €	2005 €
Net Cash (Outflow)/Inflow from Operating Activities	*14A*	(1,951)	73,638
Capital Expenditure and Financial Investments	*14B*	(556,100)	(888,353)
Net Cash Outflow before Financing		(558,051)	(814,715)
Financing	*14B*	807,759	359,542
Increase/(Decrease) in Cash	*14C*	249,708	(455,173)

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 15 November 2006

STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2005. The Company's principal accounting policies are set out below. All of these policies have been applied consistently throughout the year and the previous year.

A. Mineral Interests

(i) Exploration, appraisal and development expenditure

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

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

(ii) Cost Pools

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

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

(iii) Ceiling Test

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

(iv) Depreciation

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

B. Issue Expenses and Share Premium Account

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

C. Tangible Fixed Assets

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

Motor vehicles	5 years
Office equipment	8 years

D. Taxation

The charge for taxation is based on the result for the year. Deferred taxation is calculated on the differences between the company's taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those that are recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 2006

1. Operations and Going Concern

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

During the year €807,759, net of expenses, was raised by the issue of new share capital. The proceeds of the share issue were used to fund the Company's ongoing exploration activities.

On the basis of the capital funding achieved to date and existing commitments for future capital funding together with the very encouraging results obtained from the exploration programme and their review of projected cash flow information the directors consider it appropriate to prepare the financial statements on a going concern basis.

2. Operating Expenses - Recurring

	2006 €	2005 €
Operating expenses (a)	599,005	1,097,110
Transfer to Mineral Interests (Note 6)	(344,689)	(581,905)
	254,316	515,205

(a) The Company had nine employees during the period (2005 – ten). The remuneration charged during the period comprised salaries of €266,996, social welfare costs of €21,742 and pension costs of €34,875 (2005 – €581,869, €30,373 and €90,764 respectively).

3. Profit on Ordinary Activities before Taxation

The profit 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:

	2006 €	2005 €
Auditors' remuneration	15,500	15,500
Directors' emoluments		
• fees	56,265	79,359
• other including pension contributions	151,125	403,412
Depreciation	11,766	23,088

4. Tax on profit on Ordinary Activities

No taxation charge arises in the financial year due to utilisation of losses incurred in previous years. There was no unprovided deferred taxation at 31 May 2006 (2005 – €Nil).

5. Earnings per ordinary share

The calculation of the basic earnings per ordinary share of €0.0048 (2005 – Loss €0.008) is based on the profit for the financial year of €354,153 (2005 – Loss €513,247) and the weighted average number of ordinary shares in issue during the year of 73,257,473 (2005 – 64,487,011).

The calculation of the fully diluted earnings per ordinary share of €0.0044 is based on the profit for the financial year of €354,153 and the weighted average number of ordinary shares in issue on a fully diluted basis during the year of 80,658,217. Since the Company incurred a loss in 2005 the effect of share options and warrants would be anti-dilutive.

6. Mineral Interests

Costs held outside cost pool:

	Total Gold €
Cost	
At 31 May 2005	6,043,726
Write back of director's remuneration (Note 9)	(815,585)
Expenditure during the period	
- licence and appraisal costs	209,025
- other operating costs (Note 2)	344,689
At 31 May 2006:	**5,781,855**

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. Tangible Fixed Assets

	Office Equipment €	Motor Vehicles €	Total €
Cost			
31 May 2005	87,327	60,860	148,187
Additions	2,386	-	2,386
Disposals	-	(48,060)	(48,060)
31 May 2006	**89,713**	**12,800**	**102,513**
Accumulated Depreciation			
31 May 2005	39,984	55,188	95,172
Depreciation charge	11,214	552	11,766
Disposals	-	(48,060)	(48,060)
31 May 2006	**51,198**	**7,680**	**58,878**
Net Book Value			
31 May 2005	47,343	5,672	53,015
31 May 2006	**38,515**	**5,120**	**43,635**

8. Debtors:

	2006 €	2005 €
Amounts falling due within one year		
VAT receivable	9,215	140
Other debtors	46,620	38,880
	55,835	39,020

9. Creditors: Amounts falling due within one year

	2006 €	2005 €
Accrued directors' remuneration		
- fees and salaries	172,515	880,921
- pension contributions	34,875	450,053
Other accruals	88,247	239,463
Shareholder's loan	108,182	-
Due to related undertaking (Note 16)	15,578	15,600
	419,397	1,586,037

During the year the directors considered the financial position of the Company and in particular the level of current liabilities which mainly arose from the accrual of unpaid directors' fees and remuneration since incorporation. The relevant individual directors agreed to waive their entitlement to all amounts accruing from incorporation up to 31 August 2005, amounting to €1,422,782. The amount that had been allocated to the gold exploration programme, €815,585 was credited to mineral interests (Note 6) and the balance was treated as a non-recurring credit to the profit and loss account.

10. Called up Share Capital and Premium

Authorised:

	2006 €	2005 €
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	71,544,011	2,146,320	30,617	4,707,607
Share issues (a)	14,850,000	445,500	-	412,830
Issue expenses	-	-	-	(50,571)
End of year	86,394,011	2,591,820	30,617	5,069,866

(a) In April 2006, 14,850,000 ordinary shares of €0.03 were issued for a consideration of 4p sterling per share to fund further mineral exploration. This realised €0.0578 per share resulting in a premium of €0.0278 per share.

(b) At 31 May 2005 warrants over 20,000,000 shares exercisable at 3.75p sterling at any time up to 20 January 2009 were outstanding.During the year ended 31 May 2006, 49,064,190 warrants were issued to the Directors for nil consideration exercisable at a subscription price of €0.037 (Sterling 2.5p) per share at any time up to 15 November 2015.

(c) At 31 May 2006, options had been issued over 5,295,000 shares (2005 – 5,005,000) These options are exercisable at prices ranging from €0.0633 to €0.2539 and expire between 4 December 2010 and 26 November 2013.

(d) The share price at 31 May 2006 was 4.125p sterling. During the year the price ranged from 1.625p to 7.25p sterling.

11. Subsequent event

On 1 November 2006 the Company acquired the gold interests of Conroy Plc, which included a number of claims (licence areas) in Finland which have potential gold prospects and an extensive database. The purchase consideration of €1,000,000 was satisfied by the issue of 19,294,286 ordinary shares of €0.03 each.

12. Profit and Loss Account

	2006 €	2005 €
At 1 June 2005	(2,272,131)	(1,758,884)
Profit/(loss) for the financial year	354,153	(513,247)
At 31 May 2006	(1,917,978)	(2,272,131)

13. Reconciliation of Movement in Shareholders' Funds

	2006 €	2005 €
At 31 May 2005	4,612,413	5,791,118
Profit/(loss) for the financial year	354,153	(513,247)
Share issues, net	807,759	359,542
Diamond interest de-merger	-	(1,025,000)
At 31 May 2006	5,774,325	4,612,413

14. Notes to the Cash Flow Statement

A. Reconciliation of Operating Profit/(Loss) to Net Cash Inflow/(Outflow) from Operating Activities:

	2006 €	2005 €
Operating Expenses - Recurring	(253,044)	(513,247)
Depreciation	11,766	23,088
Loss on disposal of fixed assets	-	74
Write back of directors' remuneration accrual –		
– credited to Profit and Loss	607,197	-
– credited to Mineral Interests	815,585	-
(Decrease)/Increase in Creditors	(1,166,640)	557,697
(Increase)/Decrease in Debtors	(16,815)	6,026
Net Cash (Outflow)/Inflow from Operating Activities	(1,951)	73,638

B. Analysis of Cash Flows

Capital Expenditure and Financial Investment

	2006 €	2005 €
Investment in mineral interests (excluding write-back)	(553,713)	(866,732)
Purchase of tangible fixed assets	(2,387)	(21,621)
	(556,100)	(888,353)

Financing

Issue of share capital, net	807,759	359,542
	249,708	359,542

C. Analysis and Reconciliation of Net Funds

	31 May 2005	Cash Outflow	31 May 2006
Cash at bank and in hand	62,689	249,708	312,369

15. Commitments and Contingencies

Obligations under Mineral Interests

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

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

	2006 €	2005 €
Commitments for expenditure:		
• due within one year	315,000	50,000
• due between two and five years	630,000	350,000
	945,000	400,000

16. Related Party Transactions

The amount due to related parties of €15,578 (Note 9) relates to advances received from Conroy P.l.c. and VAT reclaimed by the Company on behalf of Conroy Plc. These amounts are unsecured, interest free and have no specific repayment terms.

The Company also shares accommodation with Conroy Plc and Karelian Diamond Resources P.l.c. The Company bears its appropriate share of the related costs directly.

17. Approval of Financial Statements.

These financial statements were approved by the board on 15 November 2006.

NOTICE OF ANNUAL GENERAL 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 Friday 8th December 2006, at 2.30pm for the purposes of transacting the following business:

1. To receive and consider the Financial Statements for the year ended 31st May 2006 together with the Directors' and Independent Auditors' Reports thereon (Resolution No.1)
2. To re-elect as Directors the following persons:

   Mr Louis J Maguire (Resolution No. 2(a))
   Mr Michael E Power (Resolution No.2(b))
   Mr C David Wathen (Resolution No. 2(c))
3. To authorise the directors to fix the remuneration of the Auditors (Resolution No. 3)
4. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution (Resolution No.4)

   "That, in accordance with the provisions of Section 20 of the Companies (Amendment) Act, 1983, the directors of the Company be generally and unconditionally authorised to allot 'relevant securities' (as defined by Section 20(10) of the Companies (Amendment) Act, 1983) up to the amount of the authorised but unissued share capital of the Company at the date of this resolution and to allot and issue any shares purchased by the Company pursuant to the provisions of the Companies Act, 1990 and held as treasury shares and that the authority hereby granted shall, subject to Section 20(3) of the said Act, expire on the 7 December, 2011 unless previously renewed, varied or revoked by the Company."
5. To consider and, if thought fit, pass the following resolution as a Special Resolution (Resolution No.5)

   "That, for the purposes of Section 24 of the Companies (Amendment) Act, 1983 and subject to the Directors being authorised 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."
6. To transact any other business.

By Order of the Board

Dated this 15th day of November 2006

James P. Jones
Secretary

Registered Office
10 Upper Pembroke Street, Dublin 2.

Notes

1. *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/her. A proxy need not be a member of the Company*
2. *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, 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.

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