



Annual Report 2010



Anglesey Mining plc



Location plan of LIM deposits

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Glossary

- AGM - the annual general meeting to be held on 24 September 2010.
- C\$ - Canadian dollars. At 31 March 2010 £1 sterling was equivalent to C\$1.535.
- Hematite or haematite - iron oxide Fe_2O_3 , one of the most abundant forms of iron ore. Chemically pure hematite is about 71% iron.
- IOC or IOCC - the Iron Ore Company of Canada, original developers and operators of the iron ore deposits around Schefferville.
- LIM or Labrador Iron - both Labrador Iron Mines Holdings Limited (the Toronto-listed holding company) and Labrador Iron Mines Limited (the operating subsidiary) for the Labrador iron properties.
- NI 43-101 - a set of rules and guidelines for reporting and displaying information related to mineral properties within Canada.
- tonne - metric tonnes of 2,204.6 pounds avoirdupois, used for current production.
- ton - short ton of 2,000 pounds avoirdupois, used for historic resources in Canada.

Front cover: Completed new rail spur track between main line and Silver Yard.



Anglesey Mining plc

A UK mining company listed on the London Stock Exchange with -

A 41% interest in Labrador Iron Mines Holdings Limited, a TSX quoted Canadian company developing 150 million tons of direct shipping hematite iron ore near Schefferville in Canada, with production due to commence later in 2010

100% of the Parys Mountain copper-lead-zinc project in North Wales with a total historical resource of 7.76 million tonnes at 9.3% combined copper, lead and zinc, held awaiting development

2010 - a special year - £8.2 million profit

“During the past year Labrador Iron has continued to develop its Labrador and Quebec properties, increased its resources and completed a C\$35 million fund-raising. We are now poised to complete the construction and bring the stage 1 deposits into production. Iron ore prices at very satisfactory levels look set to continue for some time.”

John Kearney - Chairman

“While our emphasis during the year has been very much on the Labrador developments, Parys Mountain remains a significant asset, and one which we would like to develop in co-operation with others.”

Bill Hooley - Chief Executive

Chairman's Statement

This past year has been extremely satisfactory for Anglesey Mining plc. The main project and major driver of shareholder value is the group's interest in Labrador Iron Mines (LIM) where excellent progress has been made.

LIM successfully raised a further C\$35 million in equity for its operations and Anglesey raised £2.7 million through the sale of a small portion of its shares in LIM. As a consequence of these fund raisings the group's interest in LIM is now 41%, compared to its 50% interest at 31 March 2009 and the quoted market value of the group's holding is £45 million at 6 July 2010 compared to £11 million at 31 March 2009.

The profit this year of £8.2 million results from the deemed disposal arising on LIM's March 2010 placing in Toronto and the profit on sale of LIM shares.

Labrador Iron

Steady progress has been made in advancing the Schefferville Projects toward production with ongoing active programmes in respect of drilling, metallurgical testing, environmental, permitting, marketing, engineering and purchasing.

Since the last annual report we have -

- acquired additional significant deposits in both Labrador and Quebec, including some with potential for the extraction of manganese,
- carried out a property exchange which rationalised our mineral holdings and improved the potential of our iron ore deposits,
- completed the environmental approval process for the stage 1 operations and obtained project approval from the Government of Newfoundland and Labrador,
- established new estimates of resources (NI 43-101 compliant) on the James, Redmond and Houston deposits showing a significant increase in tonnage over the historical resources,
- carried out metallurgical testwork confirming the high iron content, low gangue content and high quality of the ore to be produced in stage I of operations,
- laid the 2.5 mile rail spur from the Sept-Îles - Schefferville main line to the Silver Yards area where it is planned to install the beneficiation plant,
- signed an agreement with the Sept-Îles Port Authority for the use of the port to ship LIM's iron ore products.

In 2008, LIM and the Innu Nation of Labrador signed an Impact Benefit Agreement. The Labrador Innu, as represented by the Innu Nation, are the only aboriginal party with a land claim that has been accepted by the Government of Newfoundland and Labrador. LIM has recently been in negotiations towards an Impact Benefit Agreement with the Quebec Innu who claim Aboriginal rights in the general Schefferville area but has not yet concluded an agreement.

Numerous permits and approvals have been received including the mining leases for the first stage James and Redmond deposits, the surface use leases over the Silver Yards beneficiation area and the camp. LIM is awaiting the Certificate of Approval for the operation of the rail spur from the Government of Newfoundland and Labrador. The receipt of these permits has taken longer than anticipated, which has resulted in some delay in LIM's planned construction and production timeline.

Upon receipt of all remaining necessary permits, licenses and approvals, and the completion of the aboriginal agreements, LIM is planning to commence construction of the mine and beneficiation facilities during 2010 and hopes to achieve start up and initial production before the seasonal shut down of operations at the end of November 2010. LIM plans to commence full scale commercial production in April 2011 and expects output of 2 million tonnes of iron ore during that calendar year.

Marketing

LIM has not yet entered into agreements for the sale of any iron ore but it anticipates that it will sell most of its early production into the spot market. Iron ore prices grew strongly during the year and whilst there has been some softening recently it is expected that these prices will continue to be supported by robust Chinese demand.

Parys Mountain

During most of the year activities at Parys Mountain have been overshadowed by the drive towards production in Labrador. We feel that the best route forward for developing Parys Mountain would be with a partner. Efforts in this direction will be increased in conjunction with limited technical programmes designed to improve geological understanding on the Parys deposits and the potential of the property, such as the computer-based geological remodelling which was carried out over the past few months.

Financial

The fundraising by LIM resulted in the dilution of our stake in that company, and the operation of accounting standards means that this dilution is treated for accounting purposes as a 'deemed disposal' or partial sale; in addition some of our shares were sold to raise funds for Anglesey. We have recorded profits on the deemed and actual disposals of LIM shares of £8.8 million in the year. After taking into account operating expenses and other items there was a net profit for the year of £8.2 million. The Canadian dollar has strengthened against the pound sterling during the year so we have for the second year running recorded an exchange rate gain on our investment in LIM and this together with the profits on sale mean that total shareholders' equity has increased by more than £10 million during the year.

Outlook

The progress of the past year, together with high iron ore prices and a great deal of market interest in iron ore generally, lead to the company's share price peaking at 44 pence in April 2010. This is a dramatic improvement on the price of 4.75 pence when the 2009 annual report was issued.

The stock market has been more than usually volatile and unpredictable over the past few months following concerns that growth in the Chinese economy might be weaker than previously anticipated. We remain confident that iron ore price levels in 2011 will provide strong cashflows from the Labrador operations.

The short term objective is very clear: to put Labrador Iron Mines into production. In the medium term we would like to move Parys Mountain forward, preferably with an industry partner, and bring new projects into the group for development.

John F. Kearney

Chairman

21 July 2010

The Schefferville Projects – Western Labrador and North-Eastern Quebec

The group has a 41% interest in Toronto-listed Labrador Iron Mines Holdings Limited (LIM) which is now poised to begin mining direct shipping iron ore in western Labrador near Schefferville, Quebec.

The Schefferville Projects are located in the west-central part of the Labrador Trough iron range, one of the major iron ore producing regions in the world, and are divided into two separate portions, one within the Province of Newfoundland and Labrador, and the other within the Province of Quebec, both located near the town of Schefferville, Quebec.

The iron ore deposits forming the Schefferville Projects are predominantly hematite ore and were part of the original Iron Ore Company of Canada direct-shipping Schefferville operations conducted from 1954 to 1982.

A compliant resource of 25.7 million tonnes has now been estimated in the James, Redmond and Houston deposits. The remaining seventeen deposits, excluding James, Redmond and Houston, have a historical resource estimated at approximately 125 million tons of direct shipping iron ore, based on work carried out by IOC prior to the closure of its Schefferville operations in 1984. The historical estimate was prepared according to the standards used by IOC and, while still considered relevant, is not compliant with NI 43-101.

The plans for the Schefferville Projects envision the mining of the deposits in four stages. Stage 1 comprises the deposits closest to existing infrastructure, the mining of which will be undertaken in two phases. The first phase will involve mining of the James and Redmond deposits and the second phase the Houston, Knob, Gill and Ruth deposits, all in Labrador, together with the Denault, Star Creek and Malcolm deposits in Quebec.

The James deposit is accessible by existing gravel roads and is located approximately 5 km southwest of the town of Schefferville. The Redmond deposit is located approximately 12 km south of the James deposit and can be reached by existing gravel roads. The Knob Lake deposit, located approximately 3 km southwest of the town of Schefferville, and the Houston deposit, located approximately 20 km southeast of Schefferville, can also be reached by existing gravel roads.

During the mining of the stage 1 deposits, planning will be undertaken for the future operation of the more distant deposits in stages 2, 3 and 4. As currently envisioned stage 2 will comprise the Howse, Barney and other adjacent deposits which are relatively close to existing infrastructure. The deposits of stages 3 and 4 are more than 60 km from Schefferville and will require substantial infrastructure investment.

The in-situ ore is estimated to contain around 56% to 58% iron and it is expected that the beneficiation process will enhance the product grade to approximately 65% iron and remove unwanted material; production will be coarse lump ore (about 25%) and a finer sinter feed. These products will be transported by the existing railroad systems to the port of Sept-Îles on the St. Lawrence River for onward shipping, most likely to steel mills in Europe or Asia. The whole operation will utilize well proven, relatively basic technology and will closely reflect that previously carried out by IOC in the same general location for almost thirty years from 1954 to 1982.

Mining operations

Mining and processing operations will be conducted for eight months per year from April to November using conventional open pit mining methods employing drilling and blasting operations at an anticipated initial rate of 6,000 tonnes per day. The processing schedule is anticipated to be over a period of approximately 212 days per year.

Following plant assembly, stockpiled ore will be fed to the plant to allow commissioning to take place. As soon as a steady state condition has been reached saleable product of both lump ore and sinter fines will be produced. These will be loaded into leased rail cars that will be transported to a port facility in Sept-Îles.

Transportation infrastructure

The 355 mile rail line between Schefferville and Sept-Îles has been in continuous operation for over fifty years. Tshuetin Rail Transportation Inc ("TSH"), a consortium of three local Aboriginal First Nations, owns and operates the approximately 130 mile main line track between Schefferville and Ross Bay Junction where it connects to IOC's railway which runs the remaining 225 miles to Sept-Îles. Some refurbishment of the rails, ties and culverts of the TSH main line track will need to be carried out to enable it to continuously carry large volumes of iron ore traffic. LIM will lease rail cars and engines to transport its ore to Schefferville. The operation of the line is subject to common carrier arrangements.

Ore will be shipped from the port of Sept-Îles on the North Shore of the Gulf of St. Lawrence on the Atlantic Ocean. Sept-Îles is a large natural harbour, more than 80 metres in depth, which is open to navigation year round, and is the most important port for the shipment of iron ore in North America, serving the Quebec and Labrador mining industry. Each year approximately 23 million tonnes of merchandise is handled, comprised mainly of iron ore. It is an international marine hub for major maritime routes between North America, Europe and Asia, and nearly 80% of its merchandise traffic, mostly iron ore, is destined for international markets.

First Nations

In July 2008, LIM and the Innu Nation of Labrador signed an impact benefit agreement. The Labrador Innu, as represented by the Innu Nation, are the only aboriginal party with a land claim that has been accepted by the Government of Newfoundland and Labrador. LIM has recently been in negotiations towards an impact benefit agreement with the Quebec Innu based in Quebec, one of four First Nations who claim aboriginal rights in the general Schefferville area but agreements have not yet been reached. LIM has indicated that it is ready to continue negotiations and is currently in discussions with representatives of the Quebec Innu and with the relevant governments.

Marketing

Marketing discussions have continued with potential end users and samples have been dispatched to a number of steel mills and independent laboratories. These discussions have indicated an encouraging level of interest in the LIM products based on the metallurgical test results and analysis of the samples supplied. The indicated high iron grades and the low level of impurities are important and should ensure that both lump ore and sinter fines will be readily accepted by a wide range of customers.

Chinese and other Far Eastern consumers are showing a growing interest in seeking iron ore from Eastern Canada. The rapid development in Chinese demand for iron ore, coupled with a desire by China to diversify from its traditional sources of supply, has begun to make Eastern Canada a viable source for this market. Discussions continue with a number of Chinese customers and importers as well as a number of European producers.

LIM has not yet concluded any agreements for the sale of any iron ore. Initially LIM anticipates that it will sell all its production into the spot market and will utilize the services of a trading company for this process.

Quebec iron ore properties

During the year LIM established Schefferville Mines Inc ("SMI") to acquire interests in mining rights in Quebec covering approximately 9,014 hectares together with an exclusive operating interest in a mining lease covering about 2,816 hectares. These rights and interests are held subject to a royalty of \$2 per tonne of iron ore produced from the properties.

A preliminary review of these properties has been completed and an initial development plan generated and incorporated into the exploration plan. It is expected that this will permit at least one deposit to be brought into production in 2012, subject to receipt of satisfactory engineering, environmental and other permits.

The introduction of these Quebec properties, particularly those close to the town of Schefferville, will have a positive effect on the overall project development plan as it will extend the life of stage 1 and will as a result defer the time at which capital expenditure to reach the more distant phases 3 and 4 deposits needs to be made.

Manganese properties

The manganese properties in both Quebec and Labrador that were acquired in 2009 will also be the subject of exploration during 2010. It may be possible to develop compliant resource estimates for one or two of these deposits in 2010 and dependent upon engineering, environmental approvals and permit releases some manganese concentrate may be able to be produced by 2012.

The directors have pleasure in submitting their report and the audited accounts for the year ended 31 March 2010.

Principal activities and business review

The group's principal activities are the development of the Labrador iron project in eastern Canada in which the group has a 41% interest, and the Parys Mountain project in North Wales which is wholly owned.

Development of the Labrador properties is proceeding at an increased level. A rail spur has been completed and equipment for mining and processing is ready to be transported to site.

In March 2010 Labrador Iron completed an underwritten placing in Toronto for C\$35 million and as part of that placing Anglesey sold, for £2.7 million in cash, 810,900 of the 18,600,000 LIM shares which it had previously held. These transactions mean that both companies are now well-funded to carry out their planned activities. The group recorded a profit of £8.8 million on these transactions.

The group maintains its search for other mineral exploration and development opportunities with renewed vigour following the fund-raisings mentioned above.

The aim of the group is to continue to develop and operate the Labrador projects, to create value in the Parys Mountain property, including by co-operative arrangements, and to actively engage in other mineral ventures using the group's own resources together with such external investment and finance as may be required.

Labrador Iron

The group has a 41% interest in Toronto-listed LIM which is developing direct shipping iron ore operations in western Labrador and north-eastern Quebec near Schefferville in Canada.

Progress

Steady progress has been made in advancing the Schefferville Projects toward production with ongoing active programmes, including drilling, metallurgical testing, environmental, permitting, marketing, engineering and purchasing.

Upon receipt of all remaining necessary permits, licenses, approvals and re-established access to the site, LIM is planning to commence construction of the mine and beneficiation facilities during 2010 and hopes to achieve start up and initial production before the seasonal shut down of operations at the end of November 2010. LIM plans to commence full scale production in April 2011 and expects production of 2 million tonnes of iron ore during that calendar year.

Drilling and testwork

A programme of reverse circulation drilling commenced at the beginning of June 2009 and was completed at the end of October 2009. The deposits tested comprise the four deposits planned to be mined in the stage 1 plan, being James, Redmond, Knob Lake and Houston, together with some limited drilling on the more distant stage 2 Howse deposit.

The results of this testwork formed the basis for NI 43-101 compliant resource estimates on the James and Redmond deposits reported in November 2009 and for the Houston deposit reported in April 2010, totalling 25.7 million tonnes. The new resource estimate for Houston showed a significant increase in tonnage over the historical resources (not NI 43-101 compliant), previously estimated by the Iron Ore Company of Canada prior to 1982.

Metallurgical testing

Metallurgical testwork continued during 2009 aimed at improving expected recovery levels from all size fractions of mined material while maintaining high iron and low impurity levels in the final product. The results and report from that testwork on the James South samples indicate products will have a high iron content of approximately 67% with favourably low content of deleterious non-ferrous metals. The high iron content and low gangue content indicate the high quality of these ores, and that they will be well accepted in the European market.

Environmental and permitting work

In February 2010 the Schefferville Area Iron Ore Mine (the first phase of the Schefferville Projects) was released from environmental assessment and received project approval from the Government of Newfoundland and Labrador, subject to terms and conditions which LIM believes are achievable within the planned operating parameters. Subsequent phases and stages of the Schefferville Projects will be subject to further environmental assessments by regulatory authorities in Labrador.

All the applications and plans required for the operating permits, licenses and regulatory approvals have been submitted. Many of these have now been approved, including the construction permit for the Silver Yards Spur Line Railroad. Construction of this spur line has been completed.

Mining leases for the James and Redmond properties have been received from the Province of Newfoundland and Labrador. In addition surface use leases for all those additional areas required for the construction and operation of the James and Redmond stage of the Schefferville Projects, including the Silver Yards beneficiation area and the rail spur line, have also been received.

An Environmental Protection Plan ("EPP") was approved by the Minister of Environment and Conservation. The EPP addressed process effluent treatment and monitoring procedures, settling pond design and operation for storm water and pit dewatering discharges, as well as caribou monitoring and mitigation in the vicinity of the Schefferville Projects.

Transportation infrastructure

LIM has continued to hold discussions with the relevant rail transportation companies and port operators regarding providing the necessary levels of service from 2010 onwards. There are a number of companies involved in these discussions, some with inter-connecting interests.

In February 2010, LIM signed an agreement with the Sept-Îles Port Authority for the use of the port to ship LIM's iron ore products. LIM agreed to a base fee schedule with the Port Authority regarding wharfage fees for iron ore loading for LIM's shipping operations beginning in mid 2010. Agreements with the relevant rail companies or port operators for the transportation and handling of the planned production of iron ore have not yet been concluded.

Planned site programme – 2010

A new programme of reverse circulation drilling and trenching is planned for 2010. This programme will target both extensions to existing resources in Labrador previously drilled by LIM, other deposits in Labrador not previously drilled by LIM but included in the IOC historical resources, as well as on a number of the Quebec deposits and properties recently acquired by LIM.

A continuing programme of environmental baseline work will take place on those deposits designated for the next phases and stages of the project. This will include work on archaeology, terrestrial biology, wildlife (including fish), hydrology and noise and air quality. Offsite metallurgical testwork to assist in recovery of fine iron units as well as high silica material will continue.

Project construction

The first major construction activity has been the laying of the 2.5 mile rail spur from the Sept-Îles to Schefferville main line to the Silver Yards area where it is planned to install the beneficiation plant. The majority of the rail hardware was assembled offsite into track panels to permit speedy installation.

A contract has been signed with a Labrador City based contractor for the mining and beneficiation activities. Once site access has been re-established a new accommodation camp which has been built offsite will be brought to site and assembled. At about the same time the mining contractor will be mobilised to site to commence mining activities including stockpiling of iron ore ahead of the crusher pad. A contract has also been signed for camp catering.

All of the items of the beneficiation plant have been ordered and manufacturing has been completed. These items are now at railheads at Sept-Îles and at Labrador City awaiting delivery to site. Some pre-assembly is taking place in Labrador City. Final assembly on site, subject to receipt of permits and licences, should take place in the middle of the summer.

Parys Mountain

The Parys Mountain property is the largest known base metal deposit in the United Kingdom. A feasibility study carried out in 1991 identified a resource of 6.5 million tonnes of zinc, copper and lead with small amounts of silver and gold. This historic resource together with the White Rock JORC compliant resource identified more recently amounts in aggregate to 7.8 million tonnes at 9.3% combined metals. The 1991 feasibility study demonstrated the technical and economic viability of bringing the property into production at a rate of 350,000 tonnes per annum, producing zinc, copper and lead concentrates. However there was limited development over the period from 1991 to 2003 chiefly due to poor metal prices. Efforts to develop the property since then have been frustrated by external factors unrelated to the property itself.

Activities during the year have been limited. Work on the geological modelling of the Parys deposits was brought up to date and a new computer simulation produced. A new geological report has been received and reviewed. Further drilling has been recommended however no decision has yet been taken as to whether to go forward; it is not planned to undertake any major programmes.

The directors considered the carrying value of the Parys Mountain property and carried out an impairment review the detail of which is set out in note 10. The review indicated that no impairment provision was required or justified. Operation of the mine and the receipt of cashflows from it are dependent on finance being available to fund the development of the property.

Dolaucothi

In addition to its other mineral assets, the group holds the Dolaucothi gold property in South Wales. It is not the company's current intention to incur significant expenditures on this property, however this situation will be kept under review.

Other activities

Management continues to search for new properties suitable for development within a relatively short time frame and within the financing capability likely to be available to the group.

Performance

So far as the directors are aware, there are no standardised indicators which can usefully be employed to gauge the performance of the group at this stage of its development other than the performance of the parent company's listed shares. The directors expect to be judged by their success in creating value for shareholders.

The chief external factors affecting the ability of the group to move forward are the availability of finance, levels of metal prices and exchange rates; these and other factors are dealt with in the risks and uncertainties section below.

Dividend

The group has no revenues and the directors are unable to recommend a dividend (2009 - *nil*). Since the date of the accounts the activities of the group have continued in accordance with the directors' expectations.

Financial position

The group has no revenues from the operation of its properties. The profit for the year after tax was £8,204,337 (2009 - *restated loss* £573,203). Of this profit £8,788,063 (2009 - *nil*) was attributable to the effects of the LIM financing and to Anglesey's sale of part of its LIM shareholding, both of which took place in March 2010 in Canada.

During the year there were no additions to fixed assets (2009 - *nil*) and £175,994 was capitalised in respect of the development of the Parys Mountain property (2009 - £192,189). The Labrador properties are held in an associated company.

The group's cash position at 31 March 2009 was £2,766,074 (2009 - £150,431), this significant increase from last year being due to the receipt of proceeds from the sale of shares in LIM referred to above.

At 31 March 2010 the company had 153,158,051 ordinary shares in issue, 600,000 more than in 2009 as a result of the exercise of share options.

The directors believe that the group has adequate funding for its current and proposed operations. Further finance may be required for any new mineral properties which may be evaluated, engaged in or acquired; however such outlays are at the discretion of the directors and would not be made unless finance was available.

Risks and uncertainties

In conducting its business the group faces a number of risks and uncertainties some of which have been described above in regard to particular projects. However, there are also risks and uncertainties of a nature common to all mineral projects and these are summarised below.

General mining risks

Actual results relating to, amongst other things, mineral reserves, mineral resources, results of exploration, capital costs, mining production costs and reclamation and post closure costs, could differ materially from those currently anticipated by reason of factors such as changes in general economic conditions and conditions in the financial markets, changes in demand and prices for minerals that the group expects to produce, legislative, environmental and other judicial, regulatory, political and competitive developments in areas in which the group operates, technological and operational difficulties encountered in connection with the group's activities, labour relations matters, costs and changing foreign exchange rates and other matters.

The mining industry is competitive in all of its phases. There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The group faces strong competition from other mining companies in connection with the acquisition and retention of properties, mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

Development and liquidity risk

The injection of £2.7 million into the UK operations from the sale of shares in LIM will provide adequate funding for its current and proposed operations. As well as this source of funds, the company has in the past and may in the future rely upon share issues and/or on loans from its major shareholder Juno Limited. Labrador Iron Mines Holdings Limited is believed to be fully funded for the foreseeable future.

Exploration and development

Exploration for minerals and development of mining operations involve many risks, many of which are outside the group's control. The group currently operates in politically stable environments and hence is unlikely to be subject to expropriation of its properties but exploration by its nature is looking into the unknown or little known and unforeseen or unwanted results are always possible.

Metal prices

The prices of metals fluctuate widely and are affected by many factors outside the group's control. The relative prices of metals and future expectations for such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. Metal price fluctuations may be either exacerbated or mitigated by international currency fluctuations which affect the actual amount which might be received by the group in sterling.

Foreign exchange

The activities of LIM are carried out in Canada; the group's interest in LIM is carried in the group accounts on an equity basis and is affected by an exchange rate risk. Operations at Parys Mountain are in the UK and exchange rate risks are minor. Most of the cash balance at the year end was held in Canadian dollars - see notes 17 and 24.

Permitting, environment and social

LIM does not currently have all of the operating permits required for the Labrador Iron project. The directors believe that all required permits will be obtainable although any delay in the issue of permits is likely to result in a delay to the expected time of first production.

LIM conducts its operations in Labrador and Quebec, in areas which are subject to conflicting First Nations land claims. There are a number of First Nations peoples living in the Quebec-Labrador peninsula with overlapping claims to asserted aboriginal land rights. Aboriginal claims to lands, and the conflicting claims to traditional rights between aboriginal groups, which also overlap the Quebec-Labrador provincial border, may have an impact on LIM's ability to develop the Schefferville Projects. In June, the Innu Strategic Alliance erected a barrier to block normal access from the town of Schefferville in Quebec to mining properties in Labrador as part of a land claim campaign to protect their rights and other political issues.

The group holds a planning permission for the development of the Parys Mountain property but further consents will be required to carry out proposed activities and these permits may be subject to various reclamation and operational conditions.

Employees and personnel

The group is dependent on the services of a small number of key executives including the chairman, chief executive and finance director. Due to the small size of the group, the loss of these persons or the group's inability to attract and retain additional highly skilled and experienced employees may adversely affect its business or future operations.

Financial instruments

The group's use of financial instruments is not significant and is described in note 24.

Directors

The names of the directors with biographical details are shown on the inside rear cover. In accordance with the company's practice, John Kearney and Ian Cuthbertson retire by rotation and, being eligible, offer themselves for re-election. Since Danesh Varma has served for more than nine years as a non-executive director, current corporate governance practice requires that he be re-elected annually, and, being eligible, he is also proposed for re-election.

The company maintains a directors' and officers' liability policy on normal commercial terms which includes third party indemnity provisions. Unless otherwise determined by ordinary resolution, the number of directors, other than alternate directors, shall not be subject to any maximum, but shall not be less than two. The powers of the directors are described in the Corporate Governance Report.

With regard to the appointment and replacement of directors, the company is governed by its Articles, the Combined Code, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. Under the Articles, any director appointed by the board during the year must retire at the Annual

General Meeting following his appointment. In addition, the Articles require that one-third of the remaining directors retire by rotation at each general meeting and seek re-appointment.

The company wishes to adopt new Articles following the implementation of the Companies Act 2006 and a resolution to that effect will be proposed at the forthcoming AGM. The provisions of the preceding paragraph are also included in the new Articles.

Directors' interests in material contracts

Juno Limited (Juno), which is registered in Bermuda, holds 37.8% of the company's ordinary share capital. The company has a controlling shareholder agreement and working capital agreement with Juno. Advances made under the working capital agreement are shown in note 19. Apart from interest charges and an advance to the group of £100,000 in September 2009 (2008 - £200,000) there were no transactions between the group and Juno or its group during the year. An independent committee reviews and approves any transactions and potential transactions with Juno. Danesh Varma is a director and, through his family interests, a significant shareholder of Juno.

John Kearney is chairman and chief executive of Labrador Iron Mines Holdings Limited (LIM), Bill Hooley is a director and chief operations officer and Danesh Varma is chief financial officer. All three are shareholders of LIM, are entitled to remuneration from LIM and have been granted options over the shares of LIM. There are no transactions between LIM, the group and the company which are required to be disclosed.

There are no other contracts of significance in which any director has or had during the year a material interest.

Directors' shareholdings

The interests of the directors in the share capital of the company, all of which are beneficial, are set out below:

| Director | 6 July 2010 | | 31 March 2010 | | 31 March 2009 | |
|-----------------|-------------------|---------------------------|-------------------|---------------------------|-------------------|---------------------------|
| | Number of options | Number of ordinary shares | Number of options | Number of ordinary shares | Number of options | Number of ordinary shares |
| John Kearney | 5,400,000 | - | 5,400,000 | - | 5,400,000 | - |
| Bill Hooley | 2,900,000 | 100,000 | 2,900,000 | 100,000 | 2,900,000 | 100,000 |
| Ian Cuthbertson | 2,100,000 | 1,027,300 | 2,100,000 | 1,027,300 | 2,400,000 | 727,300 |
| David Lean | 700,000 | - | 700,000 | - | 700,000 | - |
| Howard Miller | 900,000 | - | 900,000 | - | 1,200,000 | - |
| Roger Turner | 1,100,000 | - | 1,100,000 | - | 1,100,000 | - |
| Danesh Varma | 1,400,000 | - | 1,400,000 | - | 1,400,000 | - |

Further details of directors' options are provided in the Directors' Remuneration Report.

Substantial shareholders

At 6 July 2010 the following shareholders had advised the company of interests in the issued ordinary share capital of the company, all of which are directly held:

| Name | Number of shares | Percentage of share capital |
|--|------------------|-----------------------------|
| Juno Limited | 57,924,248 | 37.8% |
| Passport Special Opportunities Master Fund | 26,525,000 | 17.3% |
| Morgan Stanley Securities Limited | 10,652,000 | 7.0% |

10,600,000 of the shares notified by Passport Special Opportunities Master Fund were disclosed (under UKLA rules introduced on 1 June 09) in connection with a swap. The directors believe that these 10,600,000 shares might also form part of the Morgan Stanley Securities Limited disclosure.

Shares

Authority to allot shares

Under the Articles of Association, the company has authority to allot the unissued shares of the company, and a resolution will be put to the AGM granting authority to the directors to do so in respect of £510,000 of share capital (representing 33% of the company's issued ordinary share capital at 6 July 2010). This will enable the directors to issue up to 51,000,000 ordinary shares within five years of the date of the AGM. The directors have no present intention of exercising this authority.

The directors would usually wish to allot any new share capital on a pre-emptive basis, however in the light of the group's potential requirement to raise further funds for the acquisition of new mineral ventures, other activities and working capital, they believe that it is appropriate to have a larger amount available for issue at their discretion without pre-emption than is normal for larger listed companies. Accordingly a further resolution will be put to the AGM to renew the directors' authority to allot shares in the company for cash without pre-emption. In the case of allotments other than for rights or other pre-emptive issues, it is proposed that such authority will be for up to £382,000 of share capital being 38,200,000 ordinary shares, which is equivalent to 25% of the issued ordinary share capital at 6 July 2010. Whilst such authority is in excess of the 5% of existing issued ordinary share capital which is commonly accepted for larger listed companies, it will provide additional flexibility which the directors believe is in the best interests of the group in its present circumstances. It is the directors' present intention to renew this power each year.

Rights and obligations attaching to shares

The rights and obligations attaching to the ordinary and deferred shares are set out in the Articles of Association. Details of the authorised and issued share capital are shown in note 21.

Each ordinary share carries the right to one vote at general meetings of the company. Holders of deferred shares, which are of negligible value, are not entitled to attend, speak or vote at any general meeting of the company, nor are they entitled to receive notice of general meetings.

Subject to the provisions of the Companies Acts, the rights attached to any class may be varied with the consent of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

There are no restrictions on the transfer of the company's shares.

Voting rights

Votes may be exercised at general meetings in relation to the business being transacted either in person, by proxy or, in relation to corporate members, by corporate representative. The Articles provide that forms of proxy shall be submitted not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

No member shall be entitled to vote at a general meeting or at a separate meeting of the holders of any class of shares in the capital of the company, either in person or by proxy, in respect of any share held by him unless all monies presently payable by him in respect of that share have been paid. Furthermore, no shareholder shall be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll if he has been served with a notice after failing to provide the company with information concerning interests in his shares required to be provided under the Companies Acts.

Shares held in uncertificated form

Subject to the provisions of the Uncertificated Securities Regulations 2001, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

Significant agreements and change of control

There are no agreements between the company and its directors or employees that provide for compensation for loss of office or employment that may occur because of a takeover bid. The company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions.

Employment, community, donations and environment

The group is an equal opportunity employer in all respects and aims for high standards from and for its employees. It also aims to be a valued and responsible member of the communities which it affects or operates in. Since there are no revenues from operations, it is the group's general policy not to make charitable or political donations and none were made during the year (2009 - nil).

The group, which for these purposes does not include LIM, is small and has no operations; consequently its affect on the environment is very slight, being limited to the operation of two small offices, where recycling and energy usage minimisation are taken seriously and encouraged. It is not practical or useful to quantify the effects of these measures.

Creditor payment policy

The group conducts its business on the normal trade credit terms of each of its suppliers and tries to ensure that suppliers are paid in accordance with those terms. The group's average creditor payment period at 31 March 2010 was 59 days (2009 - 61 days).

Going concern

The directors have considered the business activities of the group as well as its principal risks and uncertainties as set out in this report. Based on the group's cash flow forecasts and projections, and after making due enquiry in the light of current and anticipated economic conditions, the directors consider that the group and company have adequate resources to continue in business for the foreseeable future. For this reason, the going concern basis continues to be adopted in the preparation of the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements. The directors are required to prepare the financial statements for the group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and have also elected to prepare financial statements for the company in accordance with IFRS-EU. Company law requires the directors to prepare such financial statements in accordance with IFRS-EU, the Companies Act 2006 and, in relation to the group financial statements, Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS-EU is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

The directors confirm that the financial statements have (a) been prepared in accordance with applicable accounting standards; (b) give a true and fair view of the results of the group and the assets, liabilities and financial position of the group and the parent company; and (c) that the directors' report includes a fair review of the development and performance of the business and the position of the group and the parent company together with a description of the principal risks and uncertainties that they face.

The directors are responsible for the maintenance and integrity of the group website.

Auditors

Each of the directors in office at the date of the annual report confirms that so far as they are aware there is no relevant audit information of which the group's auditors are unaware and that each director has taken all of the steps which they ought to have taken as directors in order to make themselves aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Mazars LLP as auditors and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

Articles of Association

The company wishes to bring its Articles up to date following the implementation of the provisions of the Companies Act 2006 and a resolution to that effect will be proposed at the forthcoming AGM.

By order of the board

Ian Cuthbertson

Company Secretary

21 July 2010

Unaudited information:

The Directors' Remuneration Report has been prepared in accordance with schedule 8 part 3 of the Companies Act 2006.

Remuneration Committee policy and share options

During the year the remuneration committee comprised Howard Miller (chairman) and Danesh Varma; no remuneration consultants were employed.

The board's aim, implemented by the committee, with regard to executive and non-executive directors' remuneration, is to provide a package which will attract, retain and motivate directors of the calibre required and be consistent with the group's ability to pay. So far as is possible, it is the group's policy to keep contract durations, notice periods and termination payments to a minimum. In practice this results in rolling 12 month contracts.

A bonus for attainment of key corporate targets forms part of overall executive director remuneration. Share options continue to form a major part of executive and non-executive directors' remuneration however a fee payment has been made to non-executive directors since April 2007 and future share option grants will be reduced or eliminated accordingly. Any pension contributions are to money purchase schemes and regarded as a component of total remuneration. There have been no new appointments during the year and the committee has not recommended any changes to existing remuneration packages.

The company has one active share scheme, the 2004 Unapproved Share Option Scheme. All directors and employees are eligible to receive options. In determining the amount of options to be granted to each individual, the directors take into account the need for and value of the services provided, the amount of time spent on the business of the group and any other remuneration receivable from the group. All share options are subject to a performance criterion, namely that the company's share price performance over the period from grant to exercise must exceed that of the companies in the top quartile of the FTSE 100 index. This index was selected as being an easily available benchmark of general corporate performance.

Terms and conditions of service

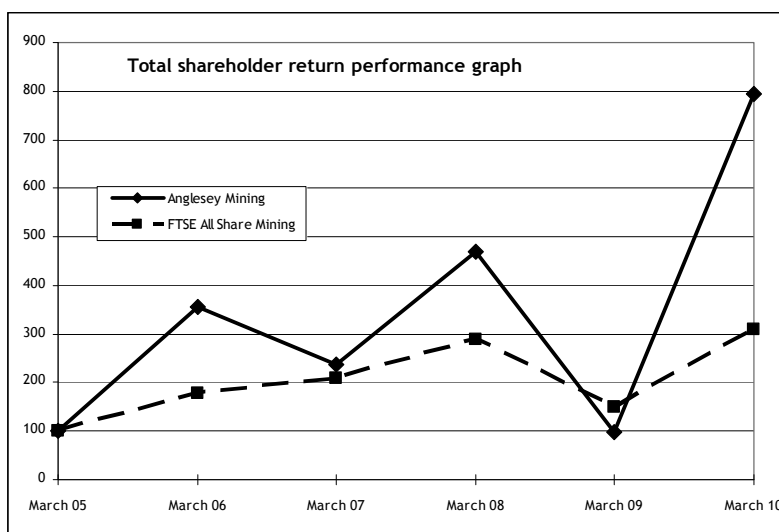
Bill Hooley and Ian Cuthbertson have written terms of employment with rolling notice periods of 12 months and no other entitlement to termination payments. They are eligible to receive performance bonuses when key corporate targets are attained.

Each of the non-executive directors has a written contract for services, terminable at one month's notice.

Other than these, there are no arrangements in force whereby the group is under an obligation to pay fees, salaries, bonuses, pensions or any remuneration to any director. In addition there are no agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the share scheme may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

Total shareholder return graph

This graph shows the total shareholder return over a five year period for the company and for the FTSE Mining index, being the most appropriate comparative available for the company covering the past five years:



Audited information:**Directors' emoluments**

| Name | 2010 | | | 2009 | | |
|----------------------|-----------------|---------------|----------------|-----------------|---------------|----------------|
| | Salary and fees | Pension | Total | Salary and fees | Pension | Total |
| | £ | £ | £ | £ | £ | £ |
| Executive | | | | | | |
| John Kearney | - | - | - | - | - | - |
| Ian Cuthbertson | 34,940 | 10,320 | 45,260 | 36,106 | 10,000 | 46,106 |
| Bill Hooley | 20,000 | - | 20,000 | 102,000 | - | 102,000 |
| Non-executive | | | | | | |
| Howard Miller | 5,000 | - | 5,000 | 5,000 | - | 5,000 |
| David Lean | 5,000 | - | 5,000 | 5,000 | - | 5,000 |
| Roger Turner | 5,000 | - | 5,000 | 5,000 | - | 5,000 |
| Danesh Varma | 24,000 | - | 24,000 | 24,000 | - | 24,000 |
| Totals | 93,940 | 10,320 | 104,260 | 177,106 | 10,000 | 187,106 |

Pension contributions are to a money purchase pension scheme.

In the financial year ended 31 March 2010 Bill Hooley's salary has been split in proportion to his time spent between Anglesey and LIM and each company has paid its own share. Last year all of his salary was paid by Anglesey (as shown above) and a recharge was made to LIM in respect of remuneration and associated social security costs.

Associate company

John Kearney, Bill Hooley and Danesh Varma are shareholders in the company's associate, Labrador Iron Mines Holdings Limited (LIM); they are entitled to remuneration in respect of their duties with LIM and hold shares and share options in LIM. John Kearney and Bill Hooley are directors of LIM. Ian Cuthbertson holds options over shares in LIM.

Audited information (continued):**Directors' share options**

Details of each share option held over ordinary shares in the company (all of them beneficial) by all those who were directors during the year are set out below. All options are over ordinary shares of 1 penny each.

| Name | Options at 1 April 2009 | Granted in year | Exercised in year | Price on exercise | Lapsed in year | Options at 31 March 2010 | Exercise price | Date from which exercisable | Expiry date |
|-----------------|-------------------------------|--------------------|----------------------|----------------------|-------------------|--------------------------------|-------------------|-----------------------------------|-------------|
| John Kearney | 5,000,000 | - | - | | - | 5,000,000 | 4.13p | 22 Oct 05 | 22 Oct 14 |
| John Kearney | 200,000 | - | - | | - | 200,000 | 21.90p | 26 Nov 07 | 26 Nov 17 |
| John Kearney | 200,000 | - | - | | - | 200,000 | 5.00p | 27 Mar 10 | 27 Mar 19 |
| Bill Hooley | 1,000,000 | - | - | | - | 1,000,000 | 10.63p | 15 Jan 07 | 15 Jan 16 |
| Bill Hooley | 1,500,000 | - | - | | - | 1,500,000 | 21.90p | 26 Nov 07 | 26 Nov 17 |
| Bill Hooley | 400,000 | - | - | | - | 400,000 | 5.00p | 27 Mar 10 | 27 Mar 19 |
| Ian Cuthbertson | 300,000 | - | 300,000 | 29.00p | - | - | 2.00p | 3 May 05 | 2 May 12 |
| Ian Cuthbertson | 1,000,000 | - | - | | - | 1,000,000 | 4.13p | 22 Oct 05 | 22 Oct 14 |
| Ian Cuthbertson | 200,000 | - | - | | - | 200,000 | 10.63p | 15 Jan 07 | 15 Jan 16 |
| Ian Cuthbertson | 600,000 | - | - | | - | 600,000 | 21.90p | 26 Nov 07 | 26 Nov 17 |
| Ian Cuthbertson | 300,000 | - | - | | - | 300,000 | 5.00p | 27 Mar 10 | 27 Mar 19 |
| David Lean | 100,000 | - | - | | - | 100,000 | 10.63p | 15 Jan 07 | 15 Jan 16 |
| David Lean | 400,000 | - | - | | - | 400,000 | 21.90p | 26 Nov 07 | 26 Nov 17 |
| David Lean | 200,000 | - | - | | - | 200,000 | 5.00p | 27 Mar 10 | 27 Mar 19 |
| Howard Miller | 300,000 | - | 300,000 | 4.00p | - | - | 2.00p | 3 May 02 | 2 May 09 |
| Howard Miller | 200,000 | - | - | | - | 200,000 | 4.13p | 22 Oct 05 | 22 Oct 14 |
| Howard Miller | 100,000 | - | - | | - | 100,000 | 10.63p | 15 Jan 07 | 15 Jan 16 |
| Howard Miller | 400,000 | - | - | | - | 400,000 | 21.90p | 26 Nov 07 | 26 Nov 17 |
| Howard Miller | 200,000 | - | - | | - | 200,000 | 5.00p | 27 Mar 10 | 27 Mar 19 |
| Roger Turner | 500,000 | - | - | | - | 500,000 | 10.63p | 15 Jan 07 | 15 Jan 16 |
| Roger Turner | 400,000 | - | - | | - | 400,000 | 21.90p | 26 Nov 07 | 26 Nov 17 |
| Roger Turner | 200,000 | - | - | | - | 200,000 | 5.00p | 27 Mar 10 | 27 Mar 19 |
| Danesh Varma | 500,000 | - | - | | - | 500,000 | 4.13p | 22 Oct 05 | 22 Oct 14 |
| Danesh Varma | 200,000 | - | - | | - | 200,000 | 10.63p | 15 Jan 07 | 15 Jan 16 |
| Danesh Varma | 500,000 | - | - | | - | 500,000 | 21.90p | 26 Nov 07 | 26 Nov 17 |
| Danesh Varma | 200,000 | - | - | | - | 200,000 | 5.00p | 27 Mar 10 | 27 Mar 19 |

The market price of the ordinary shares at 31 March 2010 was 31.76 pence, the high for the year to 31 March 2010 was 32.00 pence and the low for the year was 3.88 pence. The mid-market price at 6 July 2010 was 21.25 pence. The aggregate result of the exercise of options by directors during the year was a gain for the optionees of £87,000.

By order of the board

Ian Cuthbertson

Company Secretary

21 July 2010

Principles

The board bases its policies and practices in relation to corporate governance on the 2008 Financial Reporting Council Combined Code on Corporate Governance appended to the Listing Rules issued by the Financial Services Authority. The group has made use of the Guidance for Smaller Quoted Companies published by the Quoted Companies Alliance in 2004 which relates to the implementation of the Combined Code for smaller quoted companies.

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

The Board

The board is responsible for formulating, reviewing and approving the company's strategy, financial activities and operating performance. Day to day management is devolved to the executive directors who are charged with consulting the board on all significant financial and operational matters. In this way decisions can be made promptly, but also with consultation amongst the directors concerned where necessary and appropriate.

The board comprises three executive directors and four non-executive directors, a structure which the board considers to be appropriate.

For the purposes of the Combined Code Howard Miller is the senior independent non-executive director and David Lean and Roger Turner are independent directors. As described in note 25, Danesh Varma is a shareholder in and director of Juno Limited, which holds 37.8% of the company's ordinary shares. He has been a director for more than nine years, and is therefore subject to annual re-election to the board: under the Code provisions he is not deemed to be independent.

There are cases where board members are also directors of other companies; the board does not believe that these instances in any way compromise the independence or ability of the directors to carry out their duties in respect of the company.

The board meets when required and all board members are supplied with relevant and timely information. The company's strategy is always determined by the whole board and the schedule of matters reserved to the board is therefore comprehensive. The board approves detailed budgets and activities and any material changes to budgets or planned activities are also approved by the whole board.

There is an established procedure by which directors may, at the company's expense, take independent advice in the furtherance of their duties. They also have access to the advice and services of the company secretary who is charged with ensuring that board procedures are followed.

There is a system for the board to monitor its own performance, including that of the board committees, and a programme to develop directors' skills and expertise.

There are written terms of reference for the remuneration, audit and nomination committees, each of which deals with specific aspects of the group's affairs. The board receives periodic reports from all committees.

The matter of going concern is dealt with in the directors' report.

Remuneration committee

The remuneration committee comprises Howard Miller and Danesh Varma. 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. The report on directors' remuneration is set out in the previous section.

Audit committee

The committee's terms of reference have been approved by the board and follow published guidelines. The audit committee comprises Danesh Varma and David Lean. Both are chartered accountants with extensive mineral industry experience and have the necessary recent and relevant experience required by the Combined Code.

The audit committee reviews the half-yearly and annual accounts before they are presented to the board, focusing in particular on accounting policies and areas of management judgment and estimation. The committee is responsible for monitoring the controls which are in force to ensure the information reported to the shareholders is accurate and complete. The committee discusses internal control issues and contributes to the board's review of the effectiveness of the group'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 due to the limited staff and operations of the group. 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 group.

The committee advises the board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature and scope of the audit with the external auditors. It meets formally at least once a year with the group's external auditors. During the period, the audit committee has reviewed the effectiveness of the system of internal control. An analysis of the fee payable to the external audit firm in respect of both audit and non-audit services during the year is set out in note 4 to the financial statements.

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

Nomination committee

A nomination committee comprises John Kearney (chairman), David Lean and Howard Miller. All directors are subject to re-election at least every three years. The nomination committee makes recommendations to the board on the appointment of new executive and non-executive directors, including making recommendations as to the composition of the board and its committees and the balance between executive and non-executive directors. The nomination committee meets as and when required. It has not met in the year and has not yet engaged external consultants to identify appropriate candidates. Two of the committee members are independent non-executive directors.

Directors' contracts

It is group policy that the period of notice for executive directors will not exceed 12 months and that the employment contracts of the executive directors are terminable at 12 months' notice by either party. The contracts of executive directors do not provide for any enhanced payments in the event of a change of control of the company, nor for liquidated damages. All non-executive directors have letters of appointment with the company for an initial period of three years from their date of appointment, subject to reappointment at the AGM.

Assessment of directors' performance

The performance of the non-executive directors is assessed by the chairman and is discussed with the senior independent director. The performance of executive directors is discussed and assessed by the remuneration committee or the board as a whole. The directors may take outside advice in reviewing performance when they consider this necessary, which has not been the case to date.

Internal control

The board of directors is responsible for and annually reviews the group's systems of internal control, financial and otherwise. Such systems provide reasonable and not absolute assurance of the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The key feature of the group's financial control system is that board members directly monitor all payments and transactions as well as budgets and annual accounts. The board considers it inappropriate to establish an internal audit function at present because of the group's limited operations, however this decision is reviewed annually.

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

The disclosures made here with regard to internal control do not extend to LIM which is an associate company.

Risks and uncertainties

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

Communication with shareholders

Extensive information about the group and its activities is given in the annual report and accounts, and the interim report, which are sent to shareholders. Further information is available on the company's website, www.angleseymining.co.uk, which is updated whenever announcements or press releases are made.

The chairman and/or the chief executive meet with substantial shareholders at least once per year, more often when appropriate, and other directors join these and other meetings with shareholders.

Every effort is made to reply promptly and effectively to enquiries from shareholders on matters relating to their shareholdings and the business of the group.

Directors' appointment and attendance at board and committee meetings

During the year attendance at meetings was as follows:

| Director | Date appointed | Next election | Meetings | |
|---------------------------|-------------------|---------------|----------|-------|
| | | | Board | Audit |
| Total number of meetings: | | | 5 | 3 |
| John Kearney | 10 November 1994 | 2010 | 5 | |
| Ian Cuthbertson | 22 December 1997 | 2010 | 5 | |
| Bill Hooley | 10 January 2006 | 2011 | 5 | |
| Howard Miller | 20 September 2001 | 2012 | 3 | |
| David Lean | 20 September 2001 | 2012 | 5 | 3 |
| Roger Turner | 10 January 2006 | 2011 | 5 | |
| Danesh Varma | 15 November 1994 | 2010 | 4 | 3 |

There were no meetings of the nomination and remuneration committees.

Ian Cuthbertson was appointed as company secretary on 21 October 1988.

Danesh Varma is subject to annual re-election to the board.

Compliance with the Combined Code

The directors believe that the group has complied with the requirements of the Combined Code during the year with the following exceptions:

- A.2 - Because of his long service with the group, John Kearney cannot be regarded as independent in his roles as director or chairman.
- A.6.1 - There has been no formal and rigorous annual evaluation of the performance of the board, its committees and the individual directors.
- B.2.1 and C.3.1 - Danesh Varma is a member of the audit and remuneration committees: because he has been on the board for more than nine years and is connected with Juno Limited, under the Code provisions he is not defined as independent.

By order of the board

Ian Cuthbertson

Company Secretary

21 July 2010

Independent auditor's report to the members of Anglesey Mining plc

We have audited the financial statements of Anglesey Mining plc for the year ended 31 March 2010 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Statement of Financial Position, the Group and Company Statement of Changes in Equity, the Group and Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2010 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Emphasis of matter

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures in the financial statements concerning the valuation of intangible assets (note 10) of £13,792,743 in the group financial statements and the valuation of investment in subsidiary undertakings (note 13) of £14,109,987 in the company financial statements.

The financial statements and related notes have been prepared based on the validity of the following:

- the successful development of Parys Mountain mineral property;
- the raising of new finance to exploit mineral reserves.

No adjustments have been made to the statement of financial position and related notes to reflect changes to these assets' carrying values that might be necessary should the above conditions not be met.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 12, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Richard Karmel (Senior statutory auditor)

for and on behalf of Mazars LLP, Chartered Accountants (Statutory auditor)

Tower Bridge House, St. Katharine's Way, London, E1W 1DD

22 July 2010

Group income statement

All attributable to equity holders of the company

| | Notes | Year ended 31 March 2010 £ | Year ended 31 March 2009 (restated) £ |
|---|----------|----------------------------------|--|
| All operations are continuing | | | |
| Revenue | | - | - |
| Expenses | | (253,684) | (224,737) |
| Equity-settled employee benefits | 22 | (28,127) | (271,112) |
| Share of (loss) of associate | 14 | (203,173) | (698,258) |
| Gains on deemed disposals in associate | 14 | 7,054,967 | - |
| Profit on sale of shares in associate | 14 | 1,733,096 | - |
| Investment income | 6 | 1,076 | 7,118 |
| Finance costs | 7 | (99,818) | (84,535) |
| Parys properties fair value adjustments | 10 | - | 698,321 |
| Profit/(loss) before tax | 4 | 8,204,337 | (573,203) |
| Tax | 8 | - | - |
| Profit/(loss) for the period | | 8,204,337 | (573,203) |
| Profit/(loss) per share | | | |
| Basic - pence per share | 9 | 5.4 p | (0.4)p |
| Diluted - pence per share | 9 | 5.3 p | (0.4)p |

Statement of comprehensive income

| | | |
|--|-------------------|------------------|
| Profit/(loss) for the period | 8,204,337 | (573,203) |
| Other comprehensive income: | | |
| Translation differences on foreign operations | 2,148,426 | 1,835,562 |
| Total comprehensive income for the period | 10,352,763 | 1,262,359 |

Statement of financial position of the group

| | Notes | 31 March 2010 £ | 31 March 2009 £ |
|---|-------|--------------------|--------------------|
| Assets | | | |
| Non-current assets | | | |
| Mineral property development | 10 | 13,792,743 | 13,616,749 |
| Property, plant and equipment | 11 | 204,687 | 204,687 |
| Interest in associate | 14 | 21,868,314 | 13,821,013 |
| Deposit | 15 | 120,574 | 119,549 |
| | | <u>35,986,318</u> | <u>27,761,998</u> |
| Current assets | | | |
| Other receivables | 16 | 8,327 | 2,915 |
| Cash and cash equivalents | 17 | 2,766,074 | 150,431 |
| | | <u>2,774,401</u> | <u>153,346</u> |
| Total assets | | <u>38,760,719</u> | <u>27,915,344</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 18 | (817,869) | (608,682) |
| | | <u>(817,869)</u> | <u>(608,682)</u> |
| Net current assets/(liabilities) | | <u>1,956,532</u> | <u>(455,336)</u> |
| Non-current liabilities | | | |
| Loan | 19 | (1,960,347) | (1,760,529) |
| Long term provision | 20 | (42,000) | (42,000) |
| | | <u>(2,002,347)</u> | <u>(1,802,529)</u> |
| Total liabilities | | <u>(2,820,216)</u> | <u>(2,411,211)</u> |
| Net assets | | <u>35,940,503</u> | <u>25,504,133</u> |
| Equity | | | |
| Share capital | 21 | 7,042,414 | 7,036,414 |
| Share premium | | 8,097,973 | 8,092,423 |
| Currency translation reserve | | 3,981,270 | 1,832,844 |
| Retained earnings | | 16,818,846 | 8,542,452 |
| Total shareholders' equity | | <u>35,940,503</u> | <u>25,504,133</u> |

The financial statements of Anglesey Mining plc registered number 1849957 were approved by the board of directors and authorised for issue on 21 July 2010, and signed on its behalf by:

John F. Kearney, Chairman

Ian Cuthbertson, Finance Director

Statement of financial position of the company

| | Notes | 31 March 2010 £ | 31 March 2009 £ |
|---|-------|--------------------|--------------------|
| Assets | | | |
| Non-current assets | | | |
| Investments | 13 | 14,109,987 | 14,081,396 |
| | | <u>14,109,987</u> | <u>14,081,396</u> |
| Current assets | | | |
| Other receivables | 16 | 4,254 | 1,433 |
| Cash and cash equivalents | 17 | 7,201 | 149,110 |
| | | <u>11,455</u> | <u>150,543</u> |
| Total Assets | | <u>14,121,442</u> | <u>14,231,939</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 18 | (166,365) | (125,478) |
| | | <u>(166,365)</u> | <u>(125,478)</u> |
| Net current (liabilities)/assets | | <u>(154,910)</u> | <u>25,065</u> |
| Non-current liabilities | | | |
| Loan | 19 | (1,960,347) | (1,760,529) |
| | | <u>(1,960,347)</u> | <u>(1,760,529)</u> |
| Total liabilities | | <u>(2,126,712)</u> | <u>(1,886,007)</u> |
| Net assets | | <u>11,994,730</u> | <u>12,345,932</u> |
| Equity | | | |
| Share capital | 21 | 7,042,414 | 7,036,414 |
| Share premium | | 8,097,973 | 8,092,423 |
| Retained losses | | (3,145,657) | (2,782,905) |
| Shareholders' equity | | <u>11,994,730</u> | <u>12,345,932</u> |

The financial statements of Anglesey Mining plc registered number 1849957 were approved by the board of directors and authorised for issue on 21 July 2010, and signed on its behalf by:

John F. Kearney, Chairman

Ian Cuthbertson, Finance Director

Statements of changes in equity

All attributable to equity holders of the company.

| Group | Share capital £ | Share premium £ | Currency translation reserve £ | Retained earnings (restated) £ | Total £ |
|---|--------------------|--------------------|-----------------------------------|-----------------------------------|------------|
| Equity at 1 April 2008 | 7,036,414 | 8,092,423 | (2,718) | 8,229,110 | 23,355,229 |
| Total comprehensive income for the year: | | | | | |
| (Loss) for the year | - | - | - | (573,203) | (573,203) |
| Exchange differences on translation of foreign holdings | - | - | 1,835,562 | - | 1,835,562 |
| Total comprehensive income for the year | - | - | 1,835,562 | (573,203) | 1,262,359 |
| Equity-settled benefits credit: | | | | | |
| - associate | - | - | - | 615,433 | 615,433 |
| - company | - | - | - | 271,112 | 271,112 |
| Equity at 31 March 2009 | 7,036,414 | 8,092,423 | 1,832,844 | 8,542,452 | 25,504,133 |
| Total comprehensive income for the year: | | | | | |
| Profit for the year | - | - | - | 8,204,337 | 8,204,337 |
| Exchange differences on translation of foreign holdings | - | - | 2,148,426 | - | 2,148,426 |
| Total comprehensive income for the year | - | - | 2,148,426 | 8,204,337 | 10,352,763 |
| Shares issued for cash | 6,000 | 6,000 | - | - | 12,000 |
| Share issue costs | - | (450) | - | - | (450) |
| Equity-settled benefits credit: | | | | | |
| - associate | - | - | - | 43,930 | 43,930 |
| - company | - | - | - | 28,127 | 28,127 |
| Equity at 31 March 2010 | 7,042,414 | 8,097,973 | 3,981,270 | 16,818,846 | 35,940,503 |

| Company | Share capital £ | Share premium £ | Accumulated losses £ | Total £ |
|--|--------------------|--------------------|-------------------------|------------|
| Equity at 1 April 2008 | 7,036,414 | 8,092,423 | (3,170,014) | 11,958,823 |
| Total comprehensive income for the year: | | | | |
| Profit for the year | - | - | 115,997 | 115,997 |
| Total comprehensive income for the year | - | - | 115,997 | 115,997 |
| Equity-settled benefits credit | - | - | 271,112 | 271,112 |
| Equity at 31 March 2009 | 7,036,414 | 8,092,423 | (2,782,905) | 12,345,932 |
| Total comprehensive income for the year: | | | | |
| Loss for the year | - | - | (390,879) | (390,879) |
| Total comprehensive income for the year | - | - | (390,879) | (390,879) |
| Shares issued for cash | 6,000 | 6,000 | - | 12,000 |
| Share issue costs | - | (450) | - | (450) |
| Equity-settled benefits credit | - | - | 28,127 | 28,127 |
| Equity at 31 March 2010 | 7,042,414 | 8,097,973 | (3,145,657) | 11,994,730 |

Statement of cash flows of the group

| | Notes | Year ended 31 March 2010 £ | Year ended 31 March 2009 (restated) £ |
|---|-------|----------------------------------|--|
| Operating activities | | | |
| Profit/(loss) for the year | | 8,204,337 | (573,203) |
| Adjustments for non-cash items: | | | |
| Investment revenue | 6 | (1,076) | (7,118) |
| Finance costs | 7 | 99,818 | 84,535 |
| Equity-settled employee benefits | | 28,127 | 271,112 |
| Share of loss of associate | 14 | 203,173 | 698,258 |
| Gain on deemed disposal in associate | 14 | (7,054,967) | - |
| Profit on sale of shares in associate | 14 | (1,733,096) | - |
| Parys properties fair value adjustments | | - | (698,321) |
| | | (253,684) | (224,737) |
| Movements in working capital | | | |
| (Increase)/decrease in receivables | | (5,412) | 22,775 |
| Increase in payables | | 209,187 | 122,122 |
| Cash utilised by operations | | (49,909) | (79,840) |
| Net cash used in operating activities | | (49,909) | (79,840) |
| Investing activities | | | |
| Interest received | 6 | 51 | 4,492 |
| Net proceeds from sale of shares in associate | 14 | 2,729,945 | - |
| Mineral property development | 10 | (175,994) | (192,189) |
| Net cash received/(used) in investing activities | | 2,554,002 | (187,697) |
| Financing activities | | | |
| Proceeds from issue of shares | | 11,550 | - |
| Loans | | 100,000 | 200,000 |
| Net cash generated from financing activities | | 111,550 | 200,000 |
| Net increase/(decrease) in cash and cash equivalents | | 2,615,643 | (67,537) |
| Cash and cash equivalents at start of year | | 150,431 | 217,968 |
| Cash and cash equivalents at end of year | 17 | 2,766,074 | 150,431 |

Statement of cash flows of the company

| | Notes | Year ended 31 March 2010 £ | Year ended 31 March 2009 £ |
|---|-------|----------------------------------|----------------------------------|
| Operating activities | | | |
| (Loss)/profit for the year | 23 | (390,879) | 115,997 |
| Adjustments for non-cash items: | | | |
| Investment revenue recognised in profit or loss | | (51) | (4,400) |
| Finance costs recognised in profit or loss | | 99,818 | 84,535 |
| Equity-settled benefits | | 28,127 | 271,112 |
| Parys properties fair value adjustment | | - | (698,321) |
| | | <u>(262,985)</u> | <u>(231,077)</u> |
| Movements in working capital | | | |
| (Increase)/decrease in receivables | | (2,821) | 3,086 |
| Increase in payables | | 40,887 | 65,659 |
| | | <u>(224,919)</u> | <u>(162,332)</u> |
| Cash utilised by operations | | (224,919) | (162,332) |
| <hr/> | | | |
| Net cash used in operating activities | | (224,919) | (162,332) |
| <hr/> | | | |
| Investing activities | | | |
| Interest received | | 51 | 4,400 |
| Investments | | (28,591) | (84,708) |
| | | <u>(28,540)</u> | <u>(80,308)</u> |
| Net cash used in investing activities | | (28,540) | (80,308) |
| <hr/> | | | |
| Financing activities | | | |
| Proceeds from issue of shares | | 11,550 | - |
| Loans | | 100,000 | 200,000 |
| | | <u>111,550</u> | <u>200,000</u> |
| Net cash generated from financing activities | | 111,550 | 200,000 |
| <hr/> | | | |
| Net (decrease) in cash and cash equivalents | | (141,909) | (42,640) |
| Cash and cash equivalents at start of year | | 149,110 | 191,750 |
| | | <u>7,201</u> | <u>149,110</u> |
| Cash and cash equivalents at end of year | | 7,201 | 149,110 |

1 General information

Anglesey Mining plc is domiciled and incorporated in the United Kingdom under the Companies Act. The nature of the group's operations and its principal activities are set out in note 3 and in the business review section of the directors' report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group has been operating. Foreign operations are included in accordance with the policies set out in note 2.

2 Significant accounting policies

Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and therefore the group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Going concern

The financial statements are prepared on a going concern basis. The validity of the going concern basis is dependent on finance being available for the continuing working capital requirements of the group. For the reasons set out in the directors' report, the directors believe that the going concern basis is appropriate for these accounts.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31 March each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the period end date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the group's overseas operations are translated at exchange rates prevailing on the period end date. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised as income or as expense in the period in which the operation is disposed.

*Significant accounting policies - continued***Segmental analysis**

The group has adopted IFRS 8 with effect from 1 April 2009. This sets out the disclosure requirements concerning an entity's operating segments, products, services, geographical areas in which it operates and its major customers and replaces IAS 14, Segmental Reporting. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision-maker.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. There are no defined benefit retirement schemes.

Equity-settled employee benefits

The group provides equity-settled benefits to certain employees. Equity-settled employee benefits are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted from the longer historical average life, based on directors' estimates of the effects of non-transferability, exercise restrictions, market conditions, age of recipients and behavioural considerations.

Taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the period end liability 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of any deferred tax assets is reviewed at each period end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 dealt with in equity.

Property, plant and equipment

The group's freehold land is stated in the statement of financial position at cost. The directors consider that the estimated residual value of buildings, based on prices prevailing at the date of acquisition, is such that any depreciation would not be material. The carrying value is reviewed annually and any impairment in value would be charged immediately to the income statement.

Plant, equipment, fixtures and motor vehicles are stated in the statement of financial position at cost, less depreciation. Depreciation is charged on a straight line basis at the following annual rates: plant and equipment 25%, fixtures and fittings 20% and motor vehicles 25%. Residual values and the useful lives of these assets are also reviewed annually.

Intangible assets - mineral property development costs

Intangible assets are stated in the statement of financial position at cost, less amounts written off and provisions for impairment.

Costs incurred prior to obtaining the legal rights to explore a mineral property are expensed immediately to the income statement. Mineral property development costs are capitalised until the results of the projects, which are usually based on geographical areas, are known. Mineral property development costs include an allocation of administrative and management costs as determined appropriate to the project by management.

Where a project is successful, the related exploration costs are written off over the life of the estimated mineral reserve on a unit of production basis. Where a project is terminated, the related exploration costs are written off immediately. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

*Significant accounting policies - continued***Impairment of tangible and intangible assets**

Mineral properties are written down when any impairment in their value has occurred and are written off when abandoned. Where a provision is made or reversed it is dealt with in the income statement in the period in which it arises.

Investment in associates

An associate is an entity over which the group exercises, or is in a position to exercise, significant influence, but not control or joint control, through participation in the financial or operating policy of the investee. In considering the degree of control, any options or warrants over ordinary shares which are capable of being exercised at the period end are taken into consideration.

Where material, the results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting, except when these associates are classified as held for sale. Investments in associates are carried in the statement of financial position at cost adjusted by any material post-acquisition changes in the net assets of the associates, less any impairment of value in the individual investments.

Investments

Investments in subsidiaries are shown at cost less provisions for impairment in value. Income from investments in subsidiaries together with any related withholding tax is recognised in the income statement in the period in which it is recoverable.

Provisions

Provisions are recognised when the group has a present obligation as a result of a past event and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle that obligation at the end of the reporting period and are discounted to present value where the effect is material.

Financial instruments

Financial assets and liabilities are initially recognised and subsequently measured based on their classification as "loans and receivables" or "other financial liabilities".

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except where they mature more than 12 months after the period end date: these are classified as non-current assets. The group's loans and receivables comprise "deposits", "trade and other receivables" and "cash and cash equivalents" in the statement of financial position.

(a) *Trade and other receivables.* Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

(b) *Cash and cash equivalents.* The group considers all highly liquid investments which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents. The management believes that the carrying amount of cash equivalents approximates fair value because of the short maturity of these financial instruments.

(c) *Trade and other payables.* Trade payables are not interest bearing and are stated at their fair value.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Cash flow statement

The cash flow statement is prepared by the indirect method set out in IAS 7 on cash flow statements and presents cash flows by operating, investing and financing activities.

*Significant accounting policies - continued***New accounting standards**

The group has adopted IFRS 8: Operating segments. The effect of this standard is to disclose information concerning the group's reporting segments however adoption of this standard did not materially change the analysis of the group's results and performance.

The group and company adopted IAS1 (revised): Presentation of financial statements. The effect of this standard is purely presentational, however under this newly applied standard the prior year adjustment (see note 27) would usually require an additional restated comparative statement of financial position. Since there has been no change to the amounts and totals in any of the statements of financial position, and the net adjustment is immaterial, no additional comparative information as at 1 April 2008 has been shown.

Since 1 April 2009 the group has applied the following updated standards, amendments and interpretations which have no significant impact on the financial statements:

Amendment to IFRS 7 Improving Disclosures about Financial Instruments. The amendment introduces a three-level hierarchy of the fair values of financial instruments. The amendment also requires further information about the relative reliability of fair values to facilitate the evaluation. In addition, the amendment extends the presentation requirements of liquidity risk.

Amendments to IFRS 1 and IAS 27. Cost of investment in a subsidiary, jointly controlled entity and associate.

The group and the company have not applied the following IFRS, IAS and IFRICs that are applicable and have been issued but are not yet effective.

IFRS 9 Financial instruments, Classification and measurement, effective for financial periods beginning on or after 1 January 2013

IAS 24 Related party disclosures. Revised definition of related parties effective for financial years beginning on or after 1 January 2011

IAS 27 Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3, effective for financial years beginning on or after 1 July 2009

IAS 28 Investments in Associates - Consequential amendments arising from amendments to IFRS 3, effective for financial years beginning on or after 1 July 2009

The directors expect that the adoption of the above pronouncements will have no material impact on the financial statements in the period of initial application.

In addition to the above, there are a number of minor adjustments to various standards which are part of the IASB's annual improvement project published in April 2009. These amendments are not expected to have significant impact on the group's accounts and are effective for financial years beginning on or after 1 January 2010.

There have been no other new or revised International Financial Reporting Standards, International Accounting Standards or Interpretations that are in effect since that last annual report that have a material impact on the financial statements.

Judgements made in applying accounting policies and key sources of estimation uncertainty

The following critical judgements have been made in the process of applying the group's accounting policies:

(a) The directors' believe, after careful consideration, that the group does not, as a matter of fact, control the activities and operations of Labrador Iron Mines Holdings Limited (LIM), and that it is correctly accounted for on an equity basis as an associate company.

(b) In determining the treatment of exploration, evaluation and development expenditures the directors are required to make estimates and assumptions as to future events and circumstances. There are uncertainties inherent in making such assumptions, especially with regard to: ore resources and the life of a mine; recovery rates; production costs; commodity prices and exchange rates. Assumptions that are valid at the time of estimation may change significantly as new information becomes available and changes in these assumptions may alter the economic status of a mining unit and result in resources or reserves being restated. Operation of a mine and the receipt of cashflows from it are dependent on finance being available to fund the development of the property.

(c) In connection with possible impairment of assets the directors assess each potentially cash generating unit annually to determine whether any indication of impairment exists. The judgements made when doing so are similar to those set out above and are subject to the same uncertainties.

Nature and purpose of equity reserves

The share premium reserve represents the consideration that has been received in excess of the nominal value of shares on issue of new ordinary share capital.

The currency translation reserve represents the revaluation of overseas foreign subsidiaries and associates.

The retained earnings reserve represents profits and losses retained in previous and the current period.

3 Segmental information

The group is engaged in the business of developing the Labrador iron project in eastern Canada in which it has a 41% interest and the wholly-owned Parys Mountain project in North Wales. Neither had any revenue generating operations during the year. In the opinion of the directors, the group's activities comprise one class of business at present. As a result, the group reports geographical segments; these are the basis on which information is reported to Bill Hooley, the chief executive and chief operating decision maker.

A proportion of the salary and corporate costs in the UK are in respect of investigating other mineral development opportunities, however there are at present no records which enable this proportion to be reliably measured.

Income statement analysis

| | 2010 | | | 2009 - restated | | |
|--|---------|-----------------------|-------------|-----------------|-----------------------|-----------|
| | UK | Canada - associate | Total | UK | Canada - associate | Total |
| | £ | £ | £ | £ | £ | £ |
| Expenses | 253,684 | - | 253,684 | 224,737 | - | 224,737 |
| Equity-settled employee benefits | 28,127 | - | 28,127 | 271,112 | - | 271,112 |
| Share of loss in associate | - | 203,173 | 203,173 | - | 698,258 | 698,258 |
| Gain on deemed disposals | - | (7,054,967) | (7,054,967) | - | - | - |
| Profit on sale of shares in associate | - | (1,733,096) | (1,733,096) | - | - | - |
| Investment income | (1,076) | - | (1,076) | (7,118) | - | (7,118) |
| Finance costs | 99,818 | - | 99,818 | 84,535 | - | 84,535 |
| Parys properties fair value adjustments | - | - | - | (698,321) | - | (698,321) |
| (Profit)/loss for the year | 380,553 | (8,584,890) | (8,204,337) | (125,055) | 698,258 | 573,203 |

Assets and liabilities

| | 31 March 2010 | | | 31 March 2009 | | |
|-------------|---------------|-----------------------|-------------|---------------|-----------------------|-------------|
| | UK | Canada - associate | Total | UK | Canada - associate | Total |
| | £ | £ | £ | £ | £ | £ |
| Assets | 16,892,405 | 21,868,314 | 38,760,719 | 14,094,331 | 13,821,013 | 27,915,344 |
| Liabilities | (2,820,216) | - | (2,820,216) | (2,411,211) | - | (2,411,211) |
| Net assets | 14,072,189 | 21,868,314 | 35,940,503 | 11,683,120 | 13,821,013 | 25,504,133 |

4 Operating result

The operating result for the year has been arrived at after charging/(crediting):

| | 2010 | 2009 |
|--|--------|-----------|
| | £ | £ |
| Fees payable to the group's auditors: | | |
| for the audit of the annual accounts | 29,870 | 55,580 |
| for other services - tax services | - | 1,500 |
| Directors' remuneration | 93,940 | 56,406 |
| Equity-settled employee benefits | 28,127 | 271,112 |
| Parys properties fair value adjustment | - | (698,321) |

Audit fees for the subsidiaries are included in the fees paid in respect of the company.

5 Staff costs

The average monthly number of persons employed (including executive directors) was:

| | 2010 | 2009 |
|----------------|------|------|
| Technical | - | 1 |
| Administrative | 3 | 3 |
| | 3 | 4 |

Their aggregate remuneration was:

| | £ | £ |
|-----------------------|---------|---------|
| Wages and salaries | 95,890 | 189,870 |
| Social security costs | 25,562 | 7,151 |
| Other pension costs | 10,320 | 10,000 |
| | 131,772 | 207,021 |

Details of directors' remuneration and share options are given in the directors' remuneration report.

6 Investment income

| | 2010 | 2009 |
|---|-------|-------|
| | £ | £ |
| Loans and receivables | | |
| Interest on bank deposits | 51 | 4,492 |
| Interest on site re-instatement deposit | 1,025 | 2,626 |
| | 1,076 | 7,118 |

7 Finance costs

| | 2010 | 2009 |
|-------------------------------|--------|--------|
| Loans and payables | £ | £ |
| Loan interest to Juno Limited | 99,818 | 84,535 |

8 Taxation

Activity during the year has generated trading losses for taxation purposes which may be offset against investment income and other revenues. Accordingly no provision has been made for Corporation Tax. There is an unrecognised deferred tax asset at 31 March 2010 of £1.5 million (2009 - £1.4 million) which, in view of the group's trading results, is not considered by the directors to be recoverable in the short term. There are also capital allowances, including mineral extraction allowances, of £11.2 million unclaimed and available at 31 March 2010 (2009 - £10.7 million).

| | 2010 | 2009 restated |
|------------------|----------|---------------|
| | £ | £ |
| Current tax | - | - |
| Deferred tax | - | - |
| Total tax | - | - |

Domestic income tax is calculated at 28% (2009 - 28%) of the estimated assessed profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting profit or loss as follows:

| | | |
|---|-------------|-----------|
| Profit/(loss) for the year | 8,204,337 | (573,203) |
| Tax at the domestic income tax rate of 28% | 2,297,214 | (160,497) |
| Tax effect of: | | |
| Expenses that are not deductible in determining taxable result | 7,955 | 108,921 |
| Fair value adjustment not subject to tax | - | (195,530) |
| Gains on deemed disposals in associate | (1,975,391) | - |
| Profit on sale of shares in associate | (485,267) | - |
| Share of loss of associate | 56,888 | 195,512 |
| Tax losses for which no deferred tax asset was recognised | 98,601 | 51,594 |
| Total tax | - | - |

9 Earnings per ordinary share

| | 2010 £ | <i>2009 restated</i> £ |
|---|-------------|---------------------------|
| Earnings | | |
| Profit/(loss) for the year | 8,204,337 | <i>(573,203)</i> |
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 152,845,722 | <i>152,558,051</i> |
| Shares deemed to be issued for no consideration in respect of employee options | 3,111,816 | - |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 155,957,538 | <i>152,558,051</i> |
| Basic earnings per share | 5.4p | <i>(0.4)p</i> |
| Diluted earnings per share | 5.3p | <i>(0.4)p</i> |

In 2009 the effect of the outstanding share options was anti-dilutive.

10 Mineral property development costs - group

| | Parys Mountain | Dolaucothi | Total |
|---|-------------------|------------|-------------------|
| Cost | £ | £ | £ |
| At 1 April 2008 | - | 194,065 | 194,065 |
| Additions - own expenditure | 192,189 | - | 192,189 |
| Reverse reclassification as assets held for sale | 13,424,560 | - | 13,424,560 |
| At 31 March 2009 | 13,616,749 | 194,065 | 13,810,814 |
| Additions - own expenditure | 175,994 | - | 175,994 |
| At 31 March 2010 | 13,792,743 | 194,065 | 13,986,808 |
| Impairment provision | | | |
| At 1 April 2008, 2009 and 2010 | - | (194,065) | (194,065) |
| Carrying amount | | | |
| Net book value 2010 | 13,792,743 | - | 13,792,743 |
| <i>Net book value 2009</i> | <i>13,616,749</i> | - | <i>13,616,749</i> |

Potential impairment of mineral properties

Accumulated development expenditure in respect of each project is carried in the financial statements at cost, less an impairment provision where there are grounds to believe that the discounted present value of the future cash flows from the project is less than the carrying value or there are other reasons to indicate that the carrying value is unsuitable. Each project or cash generating unit is reviewed separately in order to make a determination of whether any impairment of its value has occurred.

Parys Mountain

At Parys Mountain, impairment provisions were made over the financial years 2001 to 2003 in recognition of the decline in prices of the metals to be produced from the mine. However in 2007 these provisions were reversed since the result of re-estimating the discounted cash flows of the Parys Mountain project was a value significantly higher than the carrying value. The basis for these calculations was the directors' estimates of future metal prices (in practice current spot prices were used) and capital and operating costs, and a discount rate of 10% (which had also been used in the previous calculations which gave rise to the impairment).

This year the directors carried out an impairment review with an effective date of 12 March 2010. As in previous years, this review was based on an estimate of discounted future cash flows from the development and operation of the Parys Mountain project. The directors have used past experience and an assessment of future conditions, together with external sources of information, to determine the assumptions which were adopted in the preparation of a financial model used to estimate the cashflows.

Intangible assets continued . . .

The key assumptions utilised were:

- The mine will be developed largely as envisaged in the Kilborn Feasibility Study prepared in 1991, except where management has determined otherwise.
- All the resources, both historical (including inferred resources) and those more recently estimated under JORC codes, will be developed and produced except that the tonnage of those classified as inferred in the 1991 Feasibility Study will be reduced by 20%.
- Capital costs will be estimated at current costs when the expenditure is planned to be incurred; neither revenues nor operating costs will take into account any inflation.
- The net present value is at 31 March 2010 and based on the assumption that mine development commences three years after that date.
- Base metal prices are based on the 27 month forward prices quoted on the London Metal Exchange at 12 March 2010; the exchange rates used are those of the same day; gold and silver prices are spot rates on 12 March 2010; these rates and prices are tabulated below.
- The following principal smelter terms have been estimated by the directors: zinc \$273 pt treatment with a basis price of \$2,500 pt and a +9% / -6% variance; copper \$47 pt treatment, \$0.47 pt produced refining charge, lead \$230 pt.
- The discount rate of 10% applied to future cashflows is one which reflects the directors' current market assessment of the time value of money and any risk factors which have not been adjusted already in the preparation of the forecast.

Table of assumptions significantly affecting the discounted net present value of Parys cashflows

| Parameter | Value | Unit | Sensitivity Factor* |
|---------------------|---------|----------------------------|---------------------|
| Zinc price | \$2,347 | \$/tonne 27 months forward | - |
| Copper price | \$7,435 | \$/tonne 27 months forward | -84% |
| Lead price | \$2,235 | \$/tonne 27 months forward | - |
| Silver price | \$17.30 | Spot | - |
| Gold price | \$1,102 | Spot | - |
| Exchange rate £/\$ | 1.5163 | LME rate 13 Mar 09 | +75% |
| Capital expenditure | | | +304% |
| Operating costs | | | +127% |
| Discount rate | 10% | | +134% |

* The sensitivity factor is the percentage change in each specific assumption which would, on its own, result in a net present value equal to the carrying value of the intangible asset in the accounts. Where no factor is shown, there is no change possible which would produce this result. All \$ figures are in US dollars.

Parys summary

The estimated net present value of the Parys Mountain project calculated by the directors and based on their estimates of all the required parameters, particularly those set out above, is US\$138 million, equivalent to £91 million. The carrying value of the Parys Mountain project is £13.7 million.

Estimates of the net present value of any project, and particularly one like Parys Mountain, are always subject to many factors and wide margins of error. The directors believe that the estimates and calculations supporting their conclusions have been carefully considered and are a fair representation of the projected financial performance of the project.

The calculations above have been repeated using the spot metal prices and exchange rates of 6 July 2010 (major factors: exchange rate £/US\$ 1.52, zinc price \$1,915 and copper price \$6,485) and the net present value at 10% on this basis was US\$94 million, equivalent to £62 million. This reduction is largely as a result of lower metal prices.

Based on the review set out above the directors have determined that no impairment provision is required in the financial statements at 31 March 2010 in respect of the carrying value of the Parys property. Operation of the mine and the receipt of cashflows from it are dependent on finance being available to fund the development of the property and if this were not the case adjustments would have to be made to reduce the carrying value of the mineral property development to its realisable value.

A Parys properties fair value adjustment of £698,321 made in relation to the potential sale, which did not proceed, of the Parys Mountain project in the statement of financial position and income statement for the year ended 31 March 2008 is no longer required or appropriate and has been reversed in the year to 31 March 2009.

Dolaucothi impairment

The group has no active plans to develop the Dolaucothi project in the near future and made a full impairment provision against the carrying value of the Dolaucothi expenditure in 2006.

11 Property, plant and equipment

| Group | Freehold land and property | Plant & equipment | Office equipment | Total |
|--|----------------------------------|----------------------|---------------------|---------|
| Cost | £ | £ | £ | £ |
| At 1 April 2008 | - | - | - | - |
| Reverse reclassification as held for sale | 204,687 | 17,434 | 5,487 | 227,608 |
| At 31 March 2009 and 2010 | 204,687 | 17,434 | 5,487 | 227,608 |
| Depreciation | | | | |
| At 1 April 2008 | - | - | - | - |
| Reverse reclassification as held for sale | - | 17,434 | 5,487 | 22,921 |
| At 31 March 2009 and 2010 | - | 17,434 | 5,487 | 22,921 |
| Carrying amount | | | | |
| At 31 March 2009 and 2010 | 204,687 | - | - | 204,687 |

| Company | Freehold land and property | Plant & equipment | Office equipment | Total |
|--|----------------------------------|----------------------|---------------------|----------|
| Cost | £ | £ | £ | £ |
| At 1 April 2008 | - | - | - | - |
| Reverse reclassification as held for sale | - | 17,434 | 5,487 | 22,921 |
| Inter-company transfers | - | (17,434) | (5,487) | (22,921) |
| At 31 March 2009 and 2010 | - | - | - | - |
| Depreciation | | | | |
| At 1 April 2008 | - | - | - | - |
| Reverse reclassification as held for sale | - | 17,434 | 5,487 | 22,921 |
| Inter-company transfer | - | (17,434) | (5,487) | (22,921) |
| At 31 March 2009 and 2010 | - | - | - | - |
| Carrying amount | | | | |
| At 31 March 2009 and 2010 | - | - | - | - |

12 Subsidiaries - company

The subsidiaries of the company at 31 March 2009 and 2010 were as follows:

| Name of company | Country of incorporation | Percentage owned | Principal activity |
|--|--------------------------|------------------|---|
| Labrador Iron plc | Isle of Man | 100% | Holder of the company's investment in Labrador Iron Mines Holdings Limited, an associated company |
| Anglo Canadian Exploration (Ace) Limited | England & Wales | 100% | Holder of the Dolaucothi property |
| Parys Mountain Mines Limited | England & Wales | 100% | Development of the Parys Mountain mining property |
| Parys Mountain Land Limited | England & Wales | 100% | Holder of part of the Parys Mountain property |
| Parys Mountain Heritage Limited | England & Wales | 100% | Holder of part of the Parys Mountain property |

13 Investments - company

| | Shares at cost £ | Amounts due £ | Total £ |
|--|---------------------|------------------|------------|
| At 1 April 2008 | 2 | 681,236 | 681,238 |
| Added in year | - | 84,709 | 84,709 |
| Reverse Parys properties fair value adjustment | | 698,321 | 698,321 |
| Add back assets no longer classified as held for sale | 100,101 | 12,517,027 | 12,617,128 |
| At 31 March 2009 | 100,103 | 13,981,293 | 14,081,396 |
| Added in year | - | 28,591 | 28,591 |
| At 31 March 2010 | 100,103 | 14,009,884 | 14,109,987 |

The realisation of investments is dependent on finance being available for development and other factors as set out in more detail in note 10.

A Parys properties fair value adjustment of £698,321 made in relation to the potential sale, which did not proceed, of the Parys Mountain project in the statement of financial position and income statement for the year ended 31 March 2008 was reversed in the year to 31 March 2009.

14 Investment in associate

At 31 March 2010 the group had a 41% interest in Labrador Iron Mines Holdings Limited (LIM), a company registered in Ontario Canada, which is independently managed and is accounted for in these financial statements as an associate company. LIM is the 100% owner and operator of a series of iron ore properties in Labrador and Quebec, some of which were formerly held and initially explored by the group. At 31 March 2009 the group's interest in LIM was 50.1%, however following the issue of shares by LIM and the sale of 810,900 shares from the company's total shareholding of 18,600,000 shares in LIM on 31 March 2010, the interest in LIM was reduced to 41%. The fully diluted interest of the group in LIM was 39% (2009 - 38%).

| | 31 March 2010 | 31 March 2009 (restated) |
|--|-------------------|-----------------------------|
| | £ | £ |
| Values in group financial statements: | | |
| Value brought forward from previous year | 13,821,013 | 12,068,276 |
| Group's share of (losses), adjusted to eliminate any fair value uplift and related taxation in associate's accounts | (203,173) | (698,258) |
| Group's share of equity-settled benefits included in (losses) above and now added back | 43,930 | 615,433 |
| Profit on deemed disposals following LIM share issues | 7,054,967 | |
| Less: carrying value of LIM shares sold | (996,849) | |
| Exchange rate adjustments | 2,148,426 | 1,835,562 |
| Amount carried in the group accounts - being the value of group's share of net assets of the associate without any fair value adjustment in respect of mineral properties | 21,868,314 | 13,821,013 |

The group's interest in LIM is held in these financial statements at original cost to the group, adjusted by material post-acquisition changes in the net assets of the associate and any impairment of value in the individual investments. It is adjusted to reflect the exchange rate current at the end of the accounting period.

The profit on deemed disposal shown above is an adjustment to the group's carrying value of the associate arising as a result of LIM's issues of new shares, chiefly as part of a fundraising in March 2010, for a value of C\$35 million. This dilutes the group's holding in LIM, however since the shares were issued at a price per share which exceeds the group's carrying value, the effect on the group's investment is beneficial and is represented by the increase of £7,054,968 in the carrying value.

In March 2010 as part of the LIM fundraising, the company sold for cash 810,900 of the 18,600,000 LIM shares which it had previously held which resulted in a profit calculated as follows:

| | £ |
|-------------------------------|------------------|
| Net proceeds of shares sold | 2,729,945 |
| Carrying value of shares sold | 996,849 |
| Profit on sale | <u>1,733,096</u> |

The published fair value of the group's investment in LIM at 31 March 2010 is £75 million (2009 - £11 million). This is derived by valuing the group's shareholding in LIM at the LIM share price quoted in Toronto on 31 March 2010 of Canadian \$6.50 (2009 - \$1.05) per common share.

At 6 July 2010 the published fair value of the group's investment in LIM was £45 million based on a share price of Canadian \$4.06 per common share at that date.

The directors have considered whether there has been any impairment to the carrying value of the group's investment in LIM; in their opinion there is none.

Mineral property development costs continued . . .

| Values as shown in the published accounts of the associate (100%) including a fair value uplift in respect of mineral properties, after conversion into sterling: | 31 March 2010 | 31 March 2009 |
|---|--------------------|-------------------|
| | £ | £ |
| Total assets | 136,829,785 | 100,048,329 |
| Total liabilities | (22,426,183) | (20,699,563) |
| Total net assets | 114,403,602 | 79,348,766 |
| | 2010 | 2009 |
| Revenues | - | - |
| Profit/(loss) for the year | 668,641 | (184,163) |

**Reconciliation of values shown in the associate's
published accounts with the group accounts**

| | C\$ | C\$ |
|---|---------------------|---------------------|
| Shareholders' equity in associate | \$175,609,529 | \$140,923,409 |
| Less: fair value uplift net of tax - see note below | \$(93,770,841) | \$(91,899,196) |
| | <u>\$81,838,688</u> | <u>\$49,024,213</u> |
| Group share - 41.02% (2009 - 50.07%) | <u>\$33,567,864</u> | <u>\$24,546,121</u> |
| Group carrying value after conversion to sterling | <u>£21,868,314</u> | <u>£13,821,013</u> |

In the financial statements of LIM the Labrador mineral properties are carried at a fair value derived from the value ascribed to the Labrador companies in the December 2007 Canadian flotation, after subsequent adjustments. If the group were to use a similar basis for its accounts, its share of this fair value uplift, net of tax, would add approximately £25 million (2009 - £26 million) to group net assets.

The associated undertakings of the group were as follows:

| Name of company | Country of incorporation | Percentage owned | | Principal activity |
|---|-----------------------------|------------------|-----------|--|
| | | 31 Mar 10 | 31 Mar 09 | |
| Labrador Iron Mines Holdings Limited (LIM) | Canada | 41% | 50.1% | Holding company for Labrador Iron Mines Limited (100%) |
| Labrador Iron Mines Limited, a 100% owned subsidiary of LIM | Canada | 41% | 50.1% | Development of iron mines in Labrador |
| LabRail Inc, a 100% owned subsidiary of LIM | Canada | 41% | 50.1% | Transport operations |
| Centre Ferro Ltd, a 100% owned subsidiary of LIM | Canada | 41% | 50.1% | Property holding |
| Schefferville Mines Inc, a 100% owned subsidiary of LIM | Canada | 41% | - | Development of iron mines in Quebec |

The group holds its interest in these associated companies through Labrador Iron plc, a 100% owned subsidiary.

15 Deposit

| | Group | | Company | |
|--|---------|---------|---------|------|
| | 2010 | 2009 | 2010 | 2009 |
| | £ | £ | £ | £ |
| Due from Isle of Anglesey County Council | 120,574 | 119,549 | - | - |

This deposit was required and made under the terms of the group's Section 106 Agreement with the Isle of Anglesey County Council which has granted planning permissions for mining at Parys Mountain.

16 Other receivables

| | Group 2010 £ | Group 2009 £ | Company 2010 £ | Company 2009 £ |
|-------|--------------------|--------------------|----------------------|----------------------|
| Other | 8,327 | 2,915 | 4,254 | 1,433 |

The carrying value of the receivables approximates to their fair value.

17 Cash

| | Group 2010 £ | Group 2009 £ | Company 2010 £ | Company 2009 £ |
|--------------------------|--------------------|--------------------|----------------------|----------------------|
| Held in sterling | 10,070 | 150,431 | 7,201 | 149,110 |
| Held in Canadian dollars | 2,756,004 | - | - | - |
| | 2,766,074 | 150,431 | 7,201 | 149,110 |

All of the Canadian dollar cash balance was received on 31 March 2010 and consequently no foreign exchange difference arose in the year.

18 Trade and other payables

| | Group 2010 £ | Group 2009 £ | Company 2010 £ | Company 2009 £ |
|--------------------------------|--------------------|--------------------|----------------------|----------------------|
| Trade creditors | (42,971) | (79,930) | (42,443) | (79,011) |
| Property royalties and rentals | (613,665) | (469,285) | - | - |
| Other accruals | (161,233) | (59,467) | (123,922) | (46,467) |
| | (817,869) | (608,682) | (166,365) | (125,478) |

The carrying value of the trade and other payables approximates to their fair value.

19 Loan

| | Group 2010 £ | Group 2009 £ | Company 2010 £ | Company 2009 £ |
|------------------------|--------------------|--------------------|----------------------|----------------------|
| Loan from Juno Limited | (1,960,347) | (1,760,529) | (1,960,347) | (1,760,529) |

The loan from Juno Limited is provided under a working capital agreement, denominated in sterling, unsecured and carries interest at 10% per annum. It is repayable from any future financing undertaken by the company, or on demand subject to 367 days notice. The terms of the facility were approved by an independent committee of the board. The carrying value of the loan approximates to its fair value.

20 Long term provision

| | Group 2010 £ | Group 2009 £ | Company 2010 £ | Company 2009 £ |
|----------------------------------|--------------------|--------------------|----------------------|----------------------|
| Provision for site reinstatement | (42,000) | (42,000) | - | - |

The provision for site reinstatement covers the estimated costs of reinstatement at the Parys Mountain site of the work done and changes made by the group up to the date of the accounts. These costs would be payable on completion of mining activities which is estimated to be in more than 20 years time. There are uncertainties inherent in the assumptions made in estimating the amount of this provision, which include judgements of changes to the legal and regulatory framework, magnitude of possible contamination and the timing, extent and costs of required restoration and rehabilitation activity.

21 Share capital

| | Ordinary shares of 1p | | Deferred shares of 4p | | Total |
|---------------------------------|-----------------------|-------------|-----------------------|-------------|--------------------|
| | Nominal value £ | Number | Nominal value £ | Number | Nominal value £ |
| Authorised share capital | | | | | |
| At 31 March 2008, 2009 & 2010 | 2,240,000 | 224,000,000 | 7,320,000 | 183,000,000 | 9,560,000 |
| Issued and fully paid | | | | | |
| At 1 April 2008 & 2009 | 1,525,581 | 152,558,051 | 5,510,833 | 137,770,835 | 7,036,414 |
| Issued 23 April 2009 | 3,000 | 300,000 | - | - | 3,000 |
| Issued 23 March 2010 | 3,000 | 300,000 | - | - | 3,000 |
| At 31 March 2010 | 1,531,581 | 153,158,051 | 5,510,833 | 137,770,835 | 7,042,414 |

The deferred shares are non-voting, have no entitlement to dividends and have negligible rights to return of capital on a winding up. The share issues in the period followed upon the exercise of directors' share options.

22 Equity-settled employee benefits**Share option plan**

The group plan provides for a grant price equal to or above the average quoted market price of the ordinary shares for the three trading days prior to the date of grant. The vesting period for options granted since 2004 has been one year. If the options remain unexercised after a period of 10 years from the date of grant, they expire. Options are forfeited if the employee leaves employment with the group before the options vest.

| | Options | 2010 Weighted average exercise price in pence | Options | 2009 Weighted average exercise price in pence |
|--------------------------------------|------------|--|------------|--|
| Outstanding at beginning of period | 15,100,000 | 9.75 | 13,400,000 | 10.36 |
| Granted during the period | - | - | 1,700,000 | 5.00 |
| Forfeited during the period | - | - | - | - |
| Exercised during the period | 600,000 | 2.00 | - | - |
| Expired during the period | - | - | - | - |
| Outstanding at the end of the period | 14,500,000 | 10.07 | 15,100,000 | 9.75 |
| Exercisable at the end of the period | 14,500,000 | 10.07 | 13,400,000 | 10.36 |

No options were granted during the year. Those granted in 2009 had a fair value of 1.7 pence each. The options outstanding at 31 March 2010 had a weighted average exercise price of 10.07 pence (2009 - 9.75 pence), and a weighted average remaining contractual life of 6.1 years (2009 - 6.9 years).

Continued . . .

Equity settled employee benefits continued . . .

The inputs into the Black-Scholes model in respect of options granted during the year are as follows:

| | 2010 | 2009 |
|--|------|---------|
| Weighted average share price in pence | - | 3.88 |
| Weighted average exercise price in pence | - | 5.00 |
| Expected volatility | - | 71% |
| Expected life | - | 3 years |
| Risk free rate | - | 5% |
| Expected dividends | - | None |

Expected volatility was determined by calculating the historical volatility of the share price over the previous three years. The expected life used in the model has been adjusted from the longer historical average life, based on directors' estimates of the effects of non-transferability, exercise restrictions, market conditions, age of recipients and behavioural considerations.

The group recognised total expenses of £28,127 (2009 - £271,112) in respect of equity-settled employee remuneration during the year.

A summary of options granted and outstanding, all of which are over ordinary shares of 1 penny, is as follows:

| Scheme | Number | Nominal Value £ | Exercise price | Exercisable from | Exercisable until |
|-----------------|------------|--------------------|-------------------|------------------|-------------------|
| 2004 Unapproved | 6,700,000 | 67,000 | 4.13p | 22 October 2004 | 21 October 2014 |
| 2004 Unapproved | 2,100,000 | 21,000 | 10.625p | 15 January 2007 | 14 January 2016 |
| 2004 Unapproved | 4,000,000 | 40,000 | 21.9p | 26 November 2008 | 26 November 2017 |
| 2004 Unapproved | 1,700,000 | 17,000 | 5.00p | 27 March 2010 | 27 March 2019 |
| Total | 14,500,000 | 145,000 | | | |

23 Profit attributable to Anglesey Mining plc

The loss after taxation in the parent company amounted to £390,879 (2009- profit -£115,997). The directors have taken advantage of the exemptions available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the company alone.

24 Financial instruments

Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while optimising the debt and equity balance. The capital structure of the group consists of debt, which includes the borrowings disclosed in note 19, the cash and cash equivalents and equity comprising issued capital, reserves and retained earnings.

The group does not enter into derivative or hedging transactions and it is the group's policy that no trading in financial instruments be undertaken. The main risks arising from the group's financial instruments are currency risk and interest rate risk. The board reviews and agrees policies for managing each of these risks and these are summarised below.

Interest rate risk

The group finances its operations through a mixture of loans from Juno Limited and equity. The Juno loans are at a fixed rate of interest of 10% per annum and as a result the group is not exposed to interest rate fluctuations.

Liquidity risk

The group's policy has been to ensure continuity of funding through a mixture of issues of shares and the working capital agreement with Juno Limited. At the end of this financial period the sale of shares in the group's associate LIM also provided a source of funds.

Trade creditors are payable on normal credit terms which are usually 30 days. The loans due to Juno carry a notice period of 367 days; in keeping with its practice since drawdown commenced more than 10 years ago, Juno has indicated that it has no current intention of demanding repayment and no such notice had been received by 21 July 2010. However the Juno loan is classified as having a maturity date between one and two years from the period end date.

Financial instruments continued . . .

Currency risk

The functional currency of the group is pounds sterling. The loan from Juno Limited is denominated in pounds sterling. As a result, the group has no currency exposure in respect of this loan.

At the year end the group held the proceeds from the sale of part of its LIM shareholding, in the amount of C\$4,230,465 in Canadian dollars, equivalent to £2,756,004. If the rate of exchange between Canadian dollars and sterling were to move against sterling by 10% there would be a loss to the group of £250,500 and if it were to move in favour of sterling by a similar amount there would be a gain of £306,200.

Credit risk

The directors consider that the entity has limited exposure to credit risk as the entity has immaterial receivable balances at the year end on which a third party may default on its contractual obligations. The carrying amount of the group's financial assets represents its maximum exposure to credit risk.

The financial instruments of the group and the company are:

| | Group | | | | Company | | | |
|------------------------------|-----------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|-----------------------------|-----------------------|
| | Loans & receivables | | Other financial liabilities | | Loans & receivables | | Other financial liabilities | |
| | 31 March 2010 £ | 31 March 2009 £ | 31 March 2010 £ | 31 March 2009 £ | 31 March 2010 £ | 31 March 2009 £ | 31 March 2010 £ | 31 March 2009 £ |
| Financial assets | | | | | | | | |
| Deposit | 120,574 | 119,549 | | | - | - | | |
| Other debtors | 8,327 | 2,915 | | | 4,254 | 1,433 | | |
| Cash and cash equivalents | 2,766,074 | 150,431 | | | 7,201 | 149,110 | | |
| Financial liabilities | | | | | | | | |
| Trade creditors | | | (42,971) | (79,930) | | | (42,443) | (79,011) |
| Loans due to Juno | | | (1,960,347) | (1,760,529) | | | (1,960,347) | (1,760,529) |
| | 2,894,975 | 272,895 | (2,003,318) | (1,840,459) | 11,455 | 150,543 | (2,002,790) | (1,839,540) |

All financial assets and liabilities are initially stated at fair value and measured at amortised cost, and all carrying values approximate to fair values.

25 Related party transactions

Juno Limited

Juno Limited (Juno) which is registered in Bermuda holds 37.8% of the company's issued ordinary share capital. The group has the following agreements with Juno: (a) a controlling shareholder agreement dated September 1996 and (b) a consolidated working capital agreement of 12 June 2002. Interest payable to Juno is shown in note 7 and the balance due to Juno is shown in note 19. There were no transactions between the group and Juno or its group during the year other than a loan of £100,000 from Juno to the group and the accrual of interest due to Juno. Danesh Varma is a director and, through his family interests, a significant shareholder of Juno.

Related party transactions continued . . .

Labrador Iron

Labrador Iron Mines Holdings Limited (LIM) is a 41% held associate and therefore a related party. During the year the parent company made no recharges to LIM in respect of directors salaries as these were paid directly; last year LIM was charged with £122,889 in respect of remuneration and associated social security costs. There are no other transactions between LIM, the group and the company which are required to be disclosed.

John Kearney is chairman of Labrador Iron Mines Holdings Limited (LIM), Bill Hooley is a director and chief operations officer and Danesh Varma is chief financial officer. All three are shareholders of LIM, are entitled to remuneration from LIM and have been granted options over the shares of LIM

All key management personnel are directors and appropriate disclosure with respect to them is made in the directors' remuneration report. There are no other contracts of significance in which any director has or had during the year a material interest.

26 Mineral holdings

Parys

(a) Most of the mineral resources delineated to date are under the western portion of Parys Mountain, the freehold and minerals of which are owned by the group. A royalty of 6% of net profits after deduction of capital allowances, as defined for tax purposes, from production of freehold minerals is payable. The mining rights over and under this area, and the leasehold area described in (b) below, are held in the Parys Mountain Mines Limited subsidiary.

(b) Under a lease from Lord Anglesey dated December 2006, the subsidiary Parys Mountain Land Limited holds the eastern part of Parys Mountain, formerly known as the Mona Mine. An annual certain rent of £5,425 is payable for the year beginning 23 March 2009; the base part of this rent increases to £10,000 in 2012 and to £20,000 when extraction of minerals at Parys Mountain commences; all of these rental figures are index-linked. A royalty of 1.8% of net smelter returns from mineral sales is also payable. The lease may be terminated at 12 months notice but not before 2012 and otherwise terminates in 2070.

(c) Under a mining lease from the Crown dated December 1991 there is an annual lease payment of £5,000. A royalty of 4% of gross sales of gold and silver from the lease area is also payable. The lease may be terminated at 12 months notice and otherwise terminates in 2020.

(d) Under a royalty agreement with Intermine Limited the group is obligated to make payments of C\$50,000 (c. £32,500) per annum until production commences at the Parys Mountain mine. A royalty of 4% of net profits (as defined after various deductions) generated from production at the mine is also payable. There is an option to buy out the royalty and advance payments. The agreement may be terminated at 12 months notice on abandonment of the property. The group has not paid all of the amounts due under this agreement and has made settlement proposals to Intermine Limited but no understanding has yet been reached. Intermine Limited holds a charge over the mining rights held by Parys Mountain Mines Limited to secure the payment of royalties in respect of minerals produced in the areas described in (a) and (b) above.

Dolaucothi

Under a mining lease from the Crown dated August 1997, a subsidiary, Anglo Canadian Exploration (Ace) Limited, has an obligation to make annual lease payments of £3,890 and to pay a royalty of 4% of gross sales of gold and silver from production at the Dolaucothi mine. The lease may be terminated at 12 months notice and otherwise terminates in 2011. Certain financial obligations relating to this lease have been guaranteed by the parent company.

27 Restatement of prior year results

In accounting for the results of its associate Labrador Iron Mines, the group has historically recorded the share based payment expenses in LIM's income statement in the same way as its own share based payments, in accordance with IFRS 2. In 2008 and 2009 the group did not record certain other share based payments which were capitalised by LIM to mineral property development expense, and not charged in LIM's income statement.

Following a review of this treatment the directors decided that these share based payments should be recorded as an expense in the group income statement. As a result the losses of the associate for the year ended 31 March 2009 have been increased by £444,189. This change has no net effect on the group's interest in LIM but has led only to a restatement of the associate's loss in the income statement for that year and to restated basic and diluted earnings per share of (0.4) pence, from (0.1) pence originally.

Since there has been no change to the amounts and totals in any of the statements of financial position, and the net adjustment is immaterial, no additional comparative information has been shown.

28 Material non cash transactions

There were no material non-cash transactions.

29 Commitments

Other than commitments under leases (note 26) there is no capital expenditure authorised or contracted which is not provided for in these accounts (2009 - *nil*).

30 Contingent liabilities

There are no contingent liabilities (2009 - *nil*).

31 Events after the period end

There are no post period end events to be disclosed.

Directors

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|------------------------|---|
| John F. Kearney | Irish, aged 59, chairman, is a mining executive with more than 36 years experience in the mining industry and is chairman of the company's associate Labrador Iron Mines Holdings Limited. He is also chairman of Canadian Zinc Corporation, Minco plc and Conquest Resources Limited. He is a director of the Mining Association of Canada and has degrees in law and economics from University College Dublin and an MBA from Trinity College Dublin. He is a member of the nomination committee and is resident in Canada. |
| Bill Hooley | aged 63, chief executive, is a mining engineering graduate from the Royal School of Mines and has extensive experience in many countries including the UK and Australia. He is chief operating officer and a director of the company's associate Labrador Iron Mines Holdings Limited. He has been a director of a number of companies involved in the minerals industry. He is a Fellow of the Australasian Institute of Mining and Metallurgy. |
| Ian Cuthbertson | aged 63, finance director and company secretary, is a chartered accountant. He has extensive previous experience in the international oilfield and construction industries and has been secretary of the company since 1988. |
| David Lean | Australian, aged 63, non-executive director, is a chartered accountant. He has over 30 years experience in the commercial aspects of the mining industry most of which was with major base and precious metal mining houses. Currently he is involved in trading mineral products. He is a member of the audit and nomination committees. |
| Howard Miller | aged 66, non-executive director, a lawyer with over 40 years experience in the legal and mining finance sector in Africa, Canada and the UK. He has extensive experience in the financing of resource companies. He is chairman of Avnel Gold Mining Limited. He is a member of the remuneration and nomination committees and the senior independent director. |
| Roger Turner | aged 67, non-executive director, is a mining engineer with more than 40 years experience in engineering, management and project development. He is a Camborne School of Mines graduate and has an MSc in economic geology. He was previously President and CEO of Nelson Gold Corporation and Oxus Gold plc. |
| Danesh Varma | Canadian, aged 60, non-executive director, is a chartered accountant and a member of the Chartered Institute of Taxation. He is chief financial officer of the company's associate Labrador Iron Mines Holdings Limited. He is also chief financial officer of Minco plc, Xtierra Inc. and Conquest Resources Limited. He is a member of the audit and remuneration committees. |

Solicitors
DLA Piper UK LLP
101 Barbirolli Square
Manchester
M2 3DL

Auditors
Mazars LLP
Tower Bridge House,
St. Katharine's Way, London
E1W 1DD

Bankers
HSBC
Dinorben Square
Amlwch, Anglesey
LL68 9AH



Above - top: Construction of new spur line
Above - bottom: Loco and rail cars on new spur line
Opposite: View towards Schefferville from Houston deposit



Anglesey Mining plc

| | |
|----------------------------------|---|
| | Parys Mountain Amlwch, Anglesey, LL68 9RE |
| | Phone 01248 361333 mail@angleseymining.co.uk |
| London office | Painter's Hall Chambers 8 Little Trinity Lane, London, EC4V 2AN Phone 020 7653 9881 |
| Labrador Iron - Toronto | 220 Bay Street, Suite 700 Toronto, Ontario, M5J 2W4, Canada Phone +1 647 728 4107 |
| Registrars | Capita Registrars Northern House, Woodsome Park Fenay Bridge, Huddersfield, HD8 0LA Phone 0871 664 0300 |
| | Calls cost 10p per minute plus network extras From overseas +44 208 639 3399 |
| | Fax 01484 600911 |
| Registered office | Tower Bridge House, St. Katharine's Way, London, E1W 1DD |
| Web site | www.angleseymining.co.uk |
| Company registered number | 1849957 |
| Shares listed | The London Stock Exchange - LSE:AYM |

www.angleseymining.co.uk
www.labradorironmines.ca